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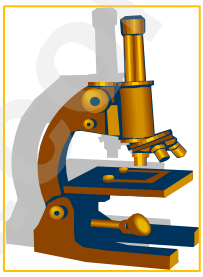

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1. FORMAT OF YEAR EXAMINATION PAPER

- The Year end Accounting examinations consist of one 3 hours paper of 300 marks
- The number of questions may vary from 5 to 8 questions. There is no stipulation on the marks allocated to each question
- Subtopics from the three different Accounting fields with their weighting of Financial Accounting (50%-60%), Managerial Accounting (20%-25%) and Managing Resources (20%-25%) may be integrated into each question. The weighting is as stipulated in the CAPS
- All questions are COMPULSORY and are to be answered in a specially prepared answer book, which is designed to address the requirements of each question and assist learners with time-management

CONTENT RELATING TO PREVIOUS GRADE

- Grade 12 examination may contain 20% weighting of content relating to previous grades which has an impact of grade 12 content

COGNITIVE LEVELS

- The spread of cognitive levels will be in the follows weighting:
  Lower order (30%) Middle order (40%) and Higher order (30%)

2. GLOSSARY

REFER TO "MIND THE GAP ACCOUNTING STUDY GUIDE" FOR EASIER DEFINITIONS AND EXPLANATIONS PER TOPIC

ASPECTS
1.1 Basic Accounting Concepts
2.1 Concepts relating to Companies
3.1 Important Concepts of Manufacturing
4.1 Budgets
Reconciliations 5.1 Bank Reconciliation 5.2 Debtors' Reconciliation 5.3 Debtors' Age Analysis 5.4 Creditors' Reconciliation with the Creditor's Statement
6.1 Inventory System 6.2 inventory valuation Methods
7. Value Added tax Concepts 7.1 VAT Calculations
8.1 Introduction to Fixed Assets

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8.3.Residual Value/ Scrap value of R1 8.4 notes to the Balance Sheet and Asset Disposal

QUESTION 1:A BANK AND DEBTORS'RECONCILIATIONS

(35 marks; 20 minutes)

1.1 State whether the statements below are TRUE or FALSE. Only write TRUE or FALSE next to the question number (1.1.1–1.1.3) in the ANSWER BOOK.

1.1.1 A cheque received and dated for the next month is recorded in the Cash Receipts Journal and deposited in the Bank.

1.1.2 Interest charged on overdrawn Bank account is included in Bank Charges.

1.1.3 A cheque that has not been presented for payment after six months is cancelled in the Cash Receipts Journal.

(3)

1.2 Bank Reconciliations

You are provided with information taken from the books of Govender Traders.

REQUIRED:

1.2.1 Make supplementary entries in the Cash Journals on 30 April 2016. (14)

1.2.2 Prepare the Bank Reconciliation Statement on 30 April 2016. (8)

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INFORMATION:

A. The Cash Journals showed the following provisional totals on30 April 2016:

Cash Receipts Journal – April 2016

Details	Bank	Amount	Details
Total	28 400	28 400	

Cash Payments Journal – April 2016

Details	Bank	Amount	Details
Total	38 000	38 000	

B. **Bank Reconciliation Statement of Govender Traders on31 March 2016:**

Details	Debit	Credit
Cr Balance as per Bank statement		20 930
Outstanding deposit		6 520
Outstanding cheques		
No 1315 (dated 21 May 2016)	4 250	
No 1340 (dated 9 February 2016)	1 350	
No 1358 (dated 23 March 2016)	3 000	
Dr Balance as per Bank account	18 850	
	27 450	27 450

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C. Upon comparing the Bank Statement received from CT Bank with the Cash Journals for April 2016 the following differences were discovered:

1. The Bank Statement showed a favourable balance of R11 850 on 30 April 2016.

2. The following appeared in the April 2016 Bank Statement but not in the cash journals:

   - A deposit of R6 520
   - Cheque no. 1358 for R3 000 dated 23 March 2016
   - Bank charges amounting to R1 250.

   A dishonored cheque received from a debtor, T Motloung, in settlement of a debt of R1 300 on which R100 discount was granted.

   - The following direct deposits:

     - R4 300 by a tenant, V Singh.
     - R4 400 by a debtor, P Nthako, whose account was written off three months ago.

3. The following information appeared in the cash journals only:

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- A deposit of R12 300 made on 28 April 2016

- Cheque no. 1400 for R3 600 issued on 15 April 2016

4. **Additional information:**

- The bookkeeper noticed that the bank had over-charged the business on credit card commission, R550.The bank indicated that this would be rectified in May 2016.

- Cheque no. 1340 for R1 350 issued to the SPCA as a donation was reportedly lost in transit. The cheque was cancelled. In its place cheque no.1410 was issued on 28 April 2016, but the amount was increased toR1 700. No entries were made.

1.3 DEBTORS' CONTROL ACCOUNT AND DEBTORS LIST

The bookkeeper of Groenewald Stores made some mistakes and omitted certain transactions in preparing the Debtors' Control Account and the Debtors' List on 30 June 2016. You are the internal auditor of the store and you are called upon to correct the mistakes.

REQUIRED:

Use the format provided to reconcile the balances of the Debtors' Control and the Debtors' List. Write in the correct amount with a + sign to show an increase and – sign to show a decrease and 0 for no entry. Details are not required.

(10)

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INFORMATION:

A. Balances on 30 June 2016

Debtors' Control Account	R47 200 (Dr)
Debtors' List	R53 090 (Dr)

B. ERRORS AND OMISSIONS:

1. The total of the Debtors' Allowance Journal was undercast by R4 210.

2. Issued receipt no.105 for R3 800 to N Pieterse who had made a partial payment towards her account. Her account was mistakenly debited with this amount.

3. Received R2 500 from a tenant for the June rent. This amount was erroneously entered in the Debtors Control column of the Cash Receipts Journal.

4. An invoice for R700 issued to a debtor, P Pollie was completely omitted when books were drawn up.

5. A credit note for R850 issued to a debtor, K Kwatsman, for goods returned by him, was entered in the Debtors' Journal in error and posted accordingly.

35

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QUESTION 2:B STOCK VALUATION METHOD, INTERNAL CONTROL, VAT & ETHICS(45 marks; 30 minutes)

The statements below relate to stock valuation methods.

REQUIRED:

2.1 Choose the description from COLUMN B that best describes the stock valuation method in COLUMN A. Write only the letter (A–C) next to the question number (2.1.1–2.1.3) in the ANSWER BOOK.

COLUMN A		COLUMN B	
2.1.1	Specific identification	A	Oldest stock is sold before latest purchases.
2.1.2	First-in-first out (FIFO)	B	Total value of goods divided by number of units available for sale to calculate value of closing stock.
2.1.3	Weighted average	C	Stock is valued based on actual cost prices.

(3)

2.2 **Westhuizen Traders**

The business buys and sells generators. The business uses the periodic inventory system and the FIFO (first in first out) method to value stock.

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REQUIRED:

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2.2.1 Calculate the value of the following on 30 June 2016:

- Closing stock (6)
- Cost of sales (6)

2.2.2 The owner suspects that generators had been stolen.

- Calculate the number of generators stolen. (5)
- Give TWO points of advice. (4)

2.2.3 The owner, Mrs Westhuizen, is considering changing to the weighted-average cost method.

- Calculate the value of closing stock using the weighted-average cost method. (9)
- The owner, Mrs Westhuizen, thinks that changing to the weighted-average method will lessen her tax burden. She approaches you for advice. Provide TWO points of advice in this regards. (4)

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INFORMATION:

A. **Stock balances:**

Date	No. of generators	Unit price	Total
1 May 2016	60	2 300	138 000
30 June 2016	80	?	?

B. **Purchases for the period 1 May 2016– 30 June 2016**

Date	No. of generators	Unit price	Total
5 May 2016	90	2 500	225 000
31 May 2016	30	2 800	84 000
18 June 2016	70	2 900	203 000
Total purchases	190		512 000
Returns to suppliers: Bought on 18June 2016	5		

Carriage on purchases, R 26 000 was paid on the purchases for 5 May.

No carriage on purchases was paid on the rest of the purchases.

C. **Sales for the period 1 May 2016 – 30 June 2016**

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Date	No. of generators	Unit price	Total
May2016	100	3 400	340 000
June 2016	62	3600	223 200
Total sales	162		563 200

2.3 **VAT: BEKKER TRADERS**

The business accounts for VAT on a two-monthly basis.

REQUIRED:

Calculate the final amount payable to SARS on 31 May 2016. (You may prepare a VAT Control Account to assist in your calculations.) (8)

INFORMATION:

	INCLUDING VAT	EXCLUDING VAT	VAT AMOUNT
Balance owed to SARS on 1 April 2016			R13 600
Cash and credit sales	R855 000	R750 000	R105 000
Purchase of trading stock	R456 000	R400 000	?
Defective stock returned to suppliers	R2 280	?	?
Discount allowed to debtors for prompt payment	?	R47 800	?

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QUESTION 3:A COMPANY FINANCIAL STATEMENTS: BALANCE SHEET, NOTES AND ANALYSIS AND INTERPRETATION (70 marks; 45 minutes)

CONCEPTS

REQUIRED:

3.1 Choose the correct word(s) from those given in brackets. Write only the word(s) next to the question number (3.1.1–3.1.3) in the ANSWER BOOK.

3.1.1 In our opinion, the annual financial statements present fairly, in all material respects, the financial position of Zolani Ltd. as at 29 February 2016.

(Qualified audit report/Unqualified audit report/Disclaimer report) (1)

3.1.2 We have not been able to obtain sufficient audit evidence to provide for an audit opinion. Accordingly, we cannot express an opinion on the financial statements of Donald Ltd for the year ended 29 February 2016.

(Qualified audit report/Unqualified audit report/ Disclaimer report) (1)

3.1.3 In our opinion, except for the effect of the unauthorised interest-free loan to the Chief Operations Officer, the annual financial statements present fairly, in all material respects, the financial position of Van Rensburg Ltd.

(1)

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(Qualified audit report/Unqualified audit report/ Disclaimer report)

3.2 **Kassie Ltd.**

You are provided with information taken from the financial records of Kassie Ltd. at the end of the financial year, 29 February 2016.

REQUIRED:

3.2.1 Prepare the following notes to financial statements on 29 February 2016:

A. Share capital (7)

B. Retained Income (9)

3.2.2 Prepare the Balance Sheet on 29 February 2016.

(Where applicable, show workings for part-marks) (30)

3.2.3 Calculate the following financial indicators on 29 February 2016:

- Net asset value per share (3)
- Percentage return on average shareholders' equity (5)

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3.2.4 From 2015 to 2016 the directors made a deliberate decision to change the policy on the distribution of profits in the form of dividends. Explain this change. Quote figures to support your answer. (4)

3.2.5 The shareholders should be satisfied with the returns and earnings on their shares. Quote and explain TWO financial indicators with figures to support this opinion. (4)

3.2.6 The company needs to raise funds by securing additional loans or issuing new shares.

You are approached for advice. In providing advice, quote TWO relevant financial indicators with figures to support your advice. (5)

INFORMATION:

A. Share Capital

- The company's authorised share capital consists of 1000000 ordinary shares.
- Six hundred thousand (600 000) of these shares were issued at 650 cents per share by the end of the 2015 financial year.
- Seventy-five percent (75%) of the remaining shares were issued on 1 September 2015 at 800 cents a share.
- Fifty thousand (50 000) shares were bought back on 31 January 2016 for 950 cents each.

B. The following balances and totals were extracted from the records on 29 February 2016:

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	2016	2015
Share capital	?	3 900 000
Retained income	?	850 000
Shareholders' equity	?	4 750 000
Fixed/Tangible assets	?	5 944 000
Fixed deposit:BB Bank (6% per annum)	600 000	?
Inventory	?	
Trade and other receivables	358 000	
Trade and other payables	75 900	
Bank	343 800	
SARS (Income tax)(Dr)	535 000	
Loan: CC Lenders(18% per annum)	1 080 000	
Accrued expense	1 620	

C. Financial Indicators for the year ended 29 February 2018:

	2018	2017
Debt/equity ratio	0,18:1	0,33:1
Dividends per share (DPS)	70 cents	120 cents
Earnings per share (EPS)	140 cents	120 cents
Current ratio	1,5:1	2,0:1
Acid test ratio	?	0,8:1
Net asset value per share	?	680 cents
% return on average shareholders' equity	?	15,2%
% return on total capital employed	27,2%	21,4%

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Market share price	650 cents	600 cents

D. Dividends

- An interim dividend of 50 cents per share was paid on 31 August 2017.

- A final dividend of 80 cents per share was recommended on 29 February 2018. Shares repurchased on 31 January 2018 do not qualify for final dividends.

E. Fixed Deposit

- Interest on a fixed deposit is **not capitalised** and is calculated at 6% p.a. and was earned for the first nine months only. Outstanding interest must still be provided for.

- 30 % of the investment will mature on 30 November 2018. No entry was made of this.

F. Loan from CC Lenders

- The company successfully negotiated a loan from CC Lenders on 1 March 2016. Interest is not capitalised.

- The loan is repayable in five equal annual instalments at the end of February each year. The February 2018 instalment has already been paid and recorded.

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G. Debtors

- A debtor's debit balance of R2 000 in the Debtors' Ledger must still be transferred to his account in the Creditors' Ledger.

H. Net profit before tax after the above mentioned information have been taken into account amount to R1 700 000.

I. Other information:

- Income tax equals 30% of the net profit.
- The current ratio is 1,5 : 1.

QUESTION 4: A CALCULATIONS, NOTE FOR FIXED ASSET, CASH FLOW STATEMENTS AND INTERPRETATIONS(60 marks; 35 minutes)

You are provided with information for the financial year ended 29 February 2018 taken from the books of Timza T Ltd. a public company listed on the Johannesburg Securities Exchange (JSE).

REQUIRED:

4.1 Refer to information **A** and **B**:

4.1.1 Calculate the cost price of the delivery vehicle that was traded in on 31August 2017. (4)

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4.1.2 Calculate the amount for which this vehicle was traded in on 31 August 2017. (5)

4.1.3 Complete the Fixed Asset Note on 29 February 2018. (18)

4.2 Prepare the Cash Flow Statement for the year ended 29 February 2018. (Where applicable, show calculations/workings in brackets to earn part marks.) (27)

4.3 Refer to the Cash Flow Statement that you prepared in QUESTION 4.2:

Mention TWO major decisions reflected in the statement and support the decision by quoting relevant figures. Also indicate ONE possible point of impact that each decision would have on the company's future operations. (6)

INFORMATION:

A. Incomplete Fixed Asset Note on 29 February 2018:

	Land and Buildings	**Vehicles**	**Equipment**
Carrying value at the beginning of the year	**5 715 000**	**660 000**	**?**
Cost	**5 715 000**	**1 120 000**	**?**
Accumulated depreciation	**(0)**	**(460 000)**	**?**
Movements			
Additions	**?**	**450 000**	**?**
Disposals	**?**	**?**	**(0)**

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Depreciation		(157 800)	?
Carrying value at the end of the year	**6 015 000**	?	?
Cost	**6 015 000**	**1 270 000**	**265 000**
Accumulated depreciation	**(0)**	?	?

B. Fixed/Tangible Assets

Land and buildings

A security office, cost price R400 000, was completely destroyed in a fire. Instead of repairing the old security office, the insurance claim and additional funds were used to build a new security office in a different place on the property.

Vehicles

A delivery vehicle bought on 1 March 2015 for R? was sold for cash on 31 August 2017. A new vehicle costing R450 000 was bought on the same day.

Depreciation on vehicles is written off at 20% p.a. on the diminished balance or carrying value.

Equipment

Timza T Ltd. bought all equipment on 1 June 2014. On1 December 2017 the company bought a new printing machine. No equipment was sold during the year.

Depreciation on equipment is written off at 18% p.a. on cost.

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C. **Extracts from the Balance Sheet on 29 February:**

	2018	2017
Fixed Assets:		
Land and buildings (cost)	6 015 000	5 715 000
Vehicles (cost)	1 270 000	1 120 000
Equipment (cost)	265 000	200 000
Accumulated depreciation on vehicles	?	(460 000)
Accumulated depreciation on equipment	?	?
Current Assets:		
Inventory	115 520	199 140
Trade and other receivables	567 250	456 050
Debtors control	524 700	456050
SARS (Income tax)	42 800	0
Cash and cash equivalents	95 512	4 740
Shareholders' equity:	**6 314687**	**5 726 000**
Share capital	5 355 000	4 500 000
Retained income	959 687	1 226 000
Mortgage Loan: WD Bank	**800 000**	**200 000**
Current Liabilities:		

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Trade and other payables	**585 050**	**1 120 530**
Creditors control	436400	398630
Income received in advance	12 650	0
Shareholders for dividends	136 000	690 000
SARS (Income tax)	0	31 900
Bank overdraft	0	89 400

D. Extracts from the Income Statement for the year ended 29 February 2018:

Sales(after all adjustments)	R 2 500 000
Depreciation	196 725
Interest expense	143 000
Net profit before tax (after all adjustments)	1 494375
Income tax	569 688
Net profit after tax	924 687

E. Share capital

The company's authorised share capital consists of 500 000 ordinary shares and these were issued as follows:

- Three hundred thousand (300 000) ordinary shares were issued in 2012 for 1 500 cents each.

- One hundred thousand (100 000) ordinary shares were issued on 30 April 2017 for 1 800 cents each.

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- Sixty thousand (60 000) ordinary shares were bought back for 2 000 cents per share on 31 October 2017.

F. Dividends

	Financial year-end:	
	2018	**2017**
Interim dividends	R800 000	R320 000
Final dividends	R136 000	R690 000

QUESTION 5:A MANUFACTURING, CONCEPTS AND NOTES

(50 marks; 30 minutes)

REQUIRED:

5.1 Use the words in the block below to complete the statements that follow. Write only the answer next to the question number (5.1.1–5.1.3) in the ANSWER BOOK.

Prime costs; Fixed costs; Variable costs; Break-even point;
Factory overhead costs; Unit costs; Diminishing costs

5.1.1 … are expenses that are incurred to run a factory, but none of them are directly involved in the making of a product. (1)

5.1.2 … indicates the number of units to be produced to avoid making a loss. (1)

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5.1.3 ... do not change even if the quantity produced by the factory changes. (1)

5.2 **THE SCHOOLS CHOICE FACTORY SHOP**

Mary Ntuli is the owner of this business which produces and sells school uniforms. The information below relates to pairs of trousers that her factory is producing, among other items of school uniform.

REQUIRED:

5.2.1 Prepare the Factory Overheads Note. (22)

5.2.2 Calculate the following on 29 February 2016:

- Direct material cost (7)
- Direct labour cost (4)

INFORMATION:

A. Balances:

	29 February 2016	**1 March 2015**
Raw materials stock	221 000	264 500
Work-in-progress	345 800	123 410

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Finished goods	?	628 400
Indirect material	11 000	5 500

B. Transactions for the financial year ended 29 February 2016:

Purchases:	Raw materials	1 110 800
Purchases:	Indirect materials	46 000
Carriage on purchases of raw materials		43 300
Maintenance		45 000
Advertising		25 000
Rent expense		129 408
Depreciation on:	Factory equipment	37 500
	Delivery vehicles	43 000

C. Additional information:

1. The bookkeeper forgot to record an invoice for R200 000 on which a trade discount of 30% was received for raw material purchased.

2. Three quarters ($^3/_4$) of the indirect materials were used in the factory.

3. Salaries and wages include the following:

   - Salary of the factory foreman, R391 680

   - Salaries to the administration staff, R402 000

   - Earnings by the factory workers are reflected in the following totals from the Wages Journals:

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Deductions			Employer's contributions	Net wages
PAYE	UIF	Pension		
R120 000	R9 300	R74 400	R55 800	R735 600
Total deductions = R203 700				

Contributions regarded as part of factory wage costs.

- Indirect wages:

Five (5) casual workers clean the factory at R45 an hour. They each worked 192 hours of normal time. Two (2) of them worked 40 hours of overtime each at the normal rate plus 50%.

4. The maintenance account was debited in error with a payment for telephone, R10 000. 80% of maintenance relates to the factory.

5. Rent expense included rent for March 2016. Rent was increased by R768 per month from 1 October 2015. Rent is proportionally allocated to the various departments according to floor space occupied

- Factory 600 square metres
- Administration offices: 250 square metres
- Sales department: 150 square metres

5.3 **GOOD HOPE FACTORY SHOP**

This business is owned by Mark Porogo. He requires your assistance.

In each case, quote figures to support your opinion.

REQUIRED:

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5.3.1 Break-even point:

(4)

- Calculate the break-even point. (4)
- Will Mark be satisfied with this? Explain.

5.3.2 Refer to the specific unit costs.

(2)

- Explain why the fixed costs per unit decreased.
- Identify ONE specific factory cost that improved. Provide TWO possible reasons for the improvement. (4)

INFORMATION:

	2016	**2015**
Total units produced and sold	12 000 units	10 000 units
Break-even point in units	?	9 000 units
Selling price per unit	**R260,00**	**R220,00**
TOTAL VARIABLE COSTS	R1 956 000	R1 560 000
VARIABLE COSTS PER UNIT	**R163,00**	**R156,00**
Direct material cost per unit	R85,00	R90,00
Direct labour cost per unit	R53,00	R41,00
Selling and distribution cost per unit	R25,00	R25,00
TOTAL FIXED COSTS	R576 000	R576 000
FIXED COST PER UNIT	**R48,00**	**R57,60**
Factory overhead cost per unit	R34,67	R41,60
Administration cost per unit	R13,33	R16,00

50

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QUESTION 6:A CASH BUDGET,ANALYSIS AND INTERPRETATION AND PROBLEM SOLVING (40 marks; 20 minutes)

6.1 The incomplete cash budget and information were taken from the financial records of MacKay Stores.

REQUIRED:

6.1.1 Calculate the credit purchases for May 2016 and complete the Creditors' Payment Schedule for the period 1 May to 30 June 2016. (7)

6.1.2 Calculate the missing figures indicated by A–C on the Cash Budget provided. (11)

6.1.3 Sundry expenses, among other expenses, are expected to increase sharply due to the forecast rise in the inflation rate on 1 June 2016.**Refer to information E.**

- Calculate the expected percentage increase in sundry expenses. (3)

- Suggest and explain TWO measures that can be taken to lessen the possible adverse impact of the rise in prices. (4)

6.1.4 **Refer to Information H.**

Briefly comment with figures on each item and provide ONE point of advice to the owner. (6)

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INFORMATION:

A. Total sales for 2016:

	Actual	**Budgeted**
March	600 000	
April	750 000	
May		800 000
June		890 000

B.

- Credit sales constitute 60% of total sales.
- The business sells goods at cost plus 25% mark-up.
- 30% of all stock is bought for cash.
- Fixed base method of stock is in use. Stock sold is replaced in the same month.

C. Creditors will be paid as follows:

- 60% in the month following the transaction month (after 30 days)less 5% discount.
- 40% in the second month following the transaction month (after 60 days).

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D. **Creditors Payments Schedule for the period 1 May to 30 June 2016**

Month	Credit Purchases	May	June
March	336 000	134 400	
April	420 000	239 400	?
May	?		?
		373 800	?

E. **CASH BUDGET FOR THE PERIOD 1 MAY TO 30 JUNE 2016**

	May 2016	June 2016
RECEIPTS		
Cash sales	A	356 000
Collections from debtors		
Fixed deposit (9% p.a.)		B
Interest on fixed deposit	2 700	1 800
Rent income	15000	15 000
Other cash income	52 400	55 000
PAYMENTS		
Cash purchases of stock		C
Payments to creditors		
Water and electricity	5 000	5 200
Sundry expenses	24 000	30 000
Advertising	4 000	5 000

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Surplus (Shortfall/Deficit) for the month		
Bank balance at the beginning of the month	11 850	
Bank balance at the end of the month		

F. Interest on fixed deposit is calculated at 9% per year and is earned at the end of each month. It is expected to remain unchanged over the budget period.

G. The fixed deposit will be increased on 1 June 2016.

H.

May 2016	**Budget**	**Actual**
Water and electricity	R5 000	R6 500
Rent income	R15 000	R8 000

6.2 PROBLEM SOLVING

Brand Cell Phones sells one brand of cell phones. The owner, Glenys Masala, has three branches in different shopping centres/malls (refer to the table below).

The annual figures from the three branches for the financial year ended 29 February 2016 were presented to the owner.

REQUIRED

Identify ONE problem in relation to each branch. Quote relevant figures. In each case, offer Glenys Masala advice to solve the problem. (9)

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	Vrede Mall	Parys Mall	Koppies Mall
Number of cell phones available for sale	170	450	400
Number of cell phones sold during the year	170	225	80
Closing stock	0	210	320
Selling price per cell phone	R6 000	R6 000	R8 000
Mark-up percentage	50%	50%	100%
Amount banked (deposited) during the year	R980 000	R1 350 000	R640 000

40

QUESTION 1B **(36 Marks; 22 Minutes)**

BANK RECONCILIATION

You are provided with information related to Quick Traders on 31 July 2015.

REQUIRED:

1.1 Indicate whether the following statements are TRUE or FASLE. Write only 'true' or 'false' next to the question number (i) – (iv) in the answer book.

(i) A post dated cheque issued by Quick Traders on 24 [illegible]
24 August 2015, will only be entered in the Cash P[illegible]
Quick Traders on 24 August 2015.

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(ii) A debit balance on the bank statement reflects an unfavourable balance. (1)

(iii) Service fees and interest on an overdraft will be recorded as bank charges in the Cash Payment Journal. (1)

(iv) An internal auditor should inspect the bank reconciliation statement at the end of each month. (1)

1.2 Calculate the correct totals for the Cash Receipts Journal and Cash Payment Journal for July 2015. (14)

1.3 Prepare the Bank Reconciliation Statement on 31 July 2015. (11)

1.4 Explain how cheque No. 908 should be treated when preparing the financial statements as at 31 July 2015 the end of the financial year. (2)

1.5 Refer to information G. The bookkeeper has decided to write off the amount of R50 000.

- Which GAAP/IFRS principle will the bookkeeper be applying? (1)
- The bookkeeper wants to prevent a similar problem in future. Give **TWO** suggestions to improve internal control in this regard. (4)

INFORMATION:

A. The following items appeared in the Bank Reconciliation Statement on 30 June 2015

	DEBIT	CREDIT
Debit balance as per Bank statement	19 310	
Outstanding deposit (10 May 2015)		50 000

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Outstanding cheques:		
No.892 (1 January 2015)	12 340	
No.897 (10 June 2015)	8 700	
Debit balance as per Bank Account	9 650	
	50 000	50 000

B. Before receiving the July 2015 Bank Statement, the following provisional totals appeared in the Cash Journals on 31 July 2015:

- CRJ R146 970
- CPJ R 68 900

C. The Bank Statement for July reflected the following:

- Bank charges R1 300.
- Interest on an overdraft R920.
- Debit order for insurance R600.
- Direct deposit of R1 800 for rent received from tenant.

D. Cheque no. 892 must be cancelled.

E. Cheque no. 897 did not appear in the July 2015 Bank Statement.

F. The outstanding deposit (10 May 2015) cannot be traced and the cashier at that time has since disappeared. It was decided to write off this amount.

G. A cheque received from Zulu Traders dated 25 November 2015 for R15 000 was not recorded in the July 2015 Cash Receipts Journal. It was also not deposited in July.

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H. The following items appear in the July 2015 Cash Journals but not on the Bank Statement:

- A deposit of R18 000, dated 27 July 2015.
- Cheque No. 905, R1 200, dated 31 July 2015.
- Cheque No. 908, R3 100, dated 15 December 2015 was issued to a creditor ZZ Nongoma for supplying goods

I. The Bank Statement on 31 July 2015 reflects a favourable bank balance of R44 040.

36

QUESTION 2B (85 Marks; 51 Minutes)

INCOME STATEMENT, NOTES TO BALANCE SHEET

You are provided with information relating to Grey Limited. The company sells TV game stations and repairs TV game stations for their customers.

REQUIRED:

2.1 Choose the correct word/s from those given below to complete the sentences:

working capital	financial asset	operating expense
cash and cash equivalents	operating profit	borrowed capital
qualified	finance cost	unqualified

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2.1.1 The difference between current assets and current liabilities is referred to as …

2.1.2 The audit report states: "the financial statements fairly present, in all material respect." This will be regarded as a/an ... report.

2.1.3 Interest on the bank overdraft in the Income Statement is classified as a/an ….

2.1.4 A fixed deposit which will mature within the next financial year will be regarded as part of … in the Balance sheet. (4)

2.2 Prepare the Asset Disposal Account to record the sale of vehicles.

See information B, numbers 7 and 8. (10)

2.3 Prepare the Income Statement (Statement of Comprehensive Income) for the year ended 30 June 2015. (51)

2.4 Prepare the following notes to the Balance Sheet:

2.4.1 Ordinary share capital (8)

2.4.2 Retained income (12)

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INFORMATION:

A. Figures extracted from the Pre-adjustment Trial Balance on 30 June 2015:

Ordinary share capital (1 July 2014)	R5 225 000
Retained income (1 July 2014)	770 000
Trading stock	197 000
Debtors control	85 000
Creditors control	78 800
Land and buildings	8 100 000
Vehicles	1 900 000
Equipment	600 000
Accumulated depreciation on vehicles	815 000
Accumulated depreciation on equipment	180 000
Mortgage loan from: Pinetown Bank	80 000
Medical aid fund	41 000
Pension fund	32 000
Provision for bad debts	4 200
SARS: PAYE	67 000
SARS: Income tax (provisional tax payment) DR	140 000
Sales	7 200 000
Debtors allowances	30 000
Cost of sales	4 780 000
Rent income	93 800
Interest income	12 000
Interest expense	7 000

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Salaries and wages	270 000
Bad debts recovered	600
Employers contribution to Pension Fund and Medical aid	72 000
Audit fees	68 000
Directors fees	470 000
Consumable stores	12 000
Insurance	148 000
Sundry expenses	?
Dividends on ordinary shares (interim)	R100 000

INFORMATION:

B **Adjustments and additional information:**

1. A credit note issued to a debtor, Mpisane dated 27 June 2015 was not recorded in the books. The credit note was for:

   - Goods returned by Mpisane, R 7 200. The mark-up on goods sold was 50% on cost.

2. No entries have been made for stock stolen on 7 June 2015. The insurance company has informed Grey Limited that they have transferred R42 000 into the business bank account in respect of the insurance claim. Grey Limited bears 20% of any stock loss.

3. The physical stock count on 30 June 2015 revealed the following on hand:

   - Trading stock, R144 000
   - Consumable stores R3 000

4. An employee was left out of the Salaries Journal for June 2015. The details from his pay-slip were:

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Gross salary	R10 000
PAYE deduction (18%)	R1 800
Pension deduction (7,5%)	R 750
Medical aid	R1 200
Net salary	R6 250

The business contributions were:

- Pension fund 10,5% of gross salary
- Medical aid : Rand-For-Rand basis

5. The provision for bad debts must be decreased by R340.

6. The tenant has paid his rent for July 2015 in advance. **NOTE:** The rent was increased by R700 on 1 April 2015 and that the premises were rented since the beginning of the financial year.

7. An old vehicle was sold for R70 000 cash on 31 December 2014. The fixed asset register revealed the following regarding this vehicle:

Cost price	R 800 000
Accumulated depreciation on 1 July 2014	R 750 000

This transaction has not yet been recorded by the bookkeeper.

8. Make provision for depreciation as follows:

- Vehicles at 15% p.a. on cost price
- Equipment at R39 500

9. The authorised share capital comprises 3 000 000 ordinary shares.

- There were 2 000 000 ordinary shares issued at the beginning of the financial year.
- A further 250 000 new ordinary shares were issued on 1 May 2015 at R2,50 each. These shares qualify for final dividends.

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- The directors decided to buy back 10 000 shares from Z. Zondi at R3,10 per share. An electronic transfer was made for the full amount. Zondi is still entitled to final dividends.

10. Final dividends were declared at 12 cents per share.

11. After taking into account all adjustments the **Net profit** for the financial year amounted to: **Before tax** R1 200 000.

    After tax R840 000.

QUESTION 3B **(67 Marks; 40 Minutes)**

MANUFACTURING

3.1 **ZWIDE PAMPERS MANUFACTURING**

Robert Zwide owns Pampers Manufacturers. The business produces nappies for babies. The financial year ended on 28 February 2015. They have been negatively affected by electricity load shedding.

REQUIRED:

Prepare the following for the Financial year ended 28 February 2015:

3.1.1 Note for Direct labour cost (13)

3.1.2 Note for Factory overhead cost (21)

3.1.3 Production Cost Statement on 28 February 2015 (11)

INFORMATION:

1. BALANCES ON 1 MARCH 2014

Raw material stock	R600 000
Work-in-process stock	R80 900
Consumable stores stock: Factory	R11 000

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2. The following stock were purchased on credit:

- Raw material R2 000 000
- Consumable stores: Factory R50 000

3. No entry was made for the carriage of the following stock:

- Raw material R18 000
- Consumable stores : Factory R2 000

4. Depreciation on factory plant and equipment amounted to R76 500.

5. Factory maintenance for the year amounted to R8 000. A further amount of R3 000 is owed to Williams Works for repairs done to a factory machine on 26 February 2015.

6. An amount of R80 000 was paid for water and electricity (this cost must be shared in the ratio 7:3 between the factory and the office respectively).

7. Rent is allocated between the factory and the administration office on the basis of floor area. The factory comprises 560 square meters, while the office comprises 280 square meters. The annual rent for the entire premises was R33 600.

8 Factory insurance amounted to R72 000.

9. Salaries and wages:

- The 30 factory workers who make nappies are each required to be on duty for 8 hours per day.

- Per month, there are 4 weeks of 5 working days each. The normal rate is R25 per hour per person.

- Although load shedding is a problem, workers are paid for the full hours on duty, according to union agreements.

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- In order to make up for the lost time, 15 factory workers each worked 20 hours overtime per month from 1 October 2014 to 28 February 2015. The overtime rate is double the normal rate.

- The factory foreman is paid a salary of R8 000 per month. Due to problems caused by the load shedding, he was required to work longer hours and did not take holidays. His salary was increased by R1 500 per month from 1 October 2014.

- The factory cleaner worked for 48 weeks in the year and was paid a wage of R800 per week.

10. BALANCES ON 28 FEBRUARY 2015

Raw material stock	R418 000
Work-in-process stock	R850 700
Consumable stores stock: Factory	R8 000

3.2 **ZWIDE PAMPERS MANUFACTURING: ELETRICITY LOAD-SHEDDING PROBLEM**

INFORMATION:

1. Although the business aims at producing 900 000 nappies per year, during the current financial year they produced only 848 000. Robert Zwide blames this on the load-shedding.

2. They sell the nappies at a mark-up of 40% on cost.

3. Load-shedding by Eskom occurred from 1 October 2014 to 28 February 2015 on 3 days per week for 3 hours per day.

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4. Refer to information 9 in question 3.1 above for further information on salaries and wages.

REQUIRED:

3.2.1 Calculate:

- The number of unproductive hours, for all worker, that were caused due to load-shedding. (5)

- The Rand amount lost on direct wages as a result of the load shedding. (3)

3.2.2 Apart from these unproductive hours, explain **TWO** other ways in which load shedding have negatively affected the business. (4)

3.2.3 What advice would you provide to Robert to counteract the effect of load shedding? Provide TWO points. (4)

3.3 **DIEGO COSTA MANUFACTURING**

Diego Costa Manufacturing manufactures watches. The financial year ended on 28 February 2015.

3.3.1 Calculate the number of units that Diego Costa Manufacturing needed to produce in order to break even in 2015. (4)

3.3.2 Comment on the number of watches they are producing. Quote figures or financial indicators to support your answer. (Refer to 3.3.1) (2)

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INFORMATION

A Total cost and cost per unit for 2015.

	Total cost	**Cost per unit**
Variable costs	892 000	111,50
Direct material cost	480 000	
Direct labour cost	264 000	
Sales and distribution cost	148 000	
Fixed costs	452 000	56,50
Factory overheads	344 000	
Administration costs	108 000	
Total cost	1 344 000	

B. Total number of watches produced during this financial year was 5 000.

C. Selling price is R311, 50 per watch.

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QUESTION 4B(55 Marks; 33 Minutes)

CASH FLOW STATEMENT AND INTERPRETATION OF INFORMATION

You are provided with information, taken from the books of Sharks Limited, for the financial year ended 30 June 2015.

REQUIRED:

4.1 Calculate the following for the financial year ended 30 June 2015:

4.1.1 Stock turnover rate (4)

4.1.2 % return on total capital employed (use the average in your calculation) (7)

4.2 The shareholders are pleased with the return, earnings and dividends:

- Quote **THREE** financial indicators that indicate this.
- Quote figures and trends to support the shareholders' opinion.

(6)

4.3 Calculate the missing figures in the Cash Flow Statement represented by letters **(a)** to **(d)**.

(17)

4.4 The directors decided to increase the loan during the current financial year:

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Quote **TWO** financial indicators (actual figures/ratios/percentages) that are relevant to their decision. Explain why this was a good decision, or not. (8)

4.5 The existing shareholders are happy with the price at which the new shares were issued:

Comment on the price at which the 100 000 new shares were issued. Quote **TWO** financial indicators/figures to support your comment. (4)

4.6 The Cash Flow Statement highlights some important decisions taken by the directors **during** the past year:

- Explain **THREE** of these important decisions. Quote figures to support your answer. (6)
- Explain how these decisions would benefit the company. (3)

INFORMATION

A. Extract from Income Statement for the financial year ended 30 June 2015:

Sales	9 000 000
Cost of sales	5 625 000
Depreciation	380 000
Interest on loan	185 000
Net profit before tax	1 330 000
Net profit after tax	931 000

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B. Extract from Balance Sheet as at 30 June:

	2015	2014
Fixed assets	4 326 000	1 489 000
Ordinary shareholders equity	7 850 000	6 450 000
Ordinary share capital	5 950 000	5 200 000
Retained income	1 900 000	1 250 000
Mortgage loan (Nongoma bank 13% p.a.)	1 800 000	950 000
SARS (income tax)	CR 32 000	DR 18 000
Shareholders for dividends	105 000	71 500
Trading stock	670 000	580 000

C. Additional information:

(i) Ordinary share capital:

- 1 500 000 shares have been authorised.
- 650 000 shares were in issue at the end of the previous financial year, 30 June 2014.
- 100 000 ordinary shares were issued on 1 May 2015.
- 50 000 ordinary shares were repurchased from unhappy shareholders. They repurchased at R 11 per share. The average issue price was R8, 50 per share.

(ii) Fixed assets:

- Equipment was bought during the year.
- Assets were sold at book value for R140 000.

(iii) Good Day Bank is offering a 9 % interest rate on all investments.

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D. Financial indicators for the past two years:

The following financial indicators were calculated for the past two years:

	2015	2014
Current ratio	1,5 :1	1 :1
Stock turnover rate	?	7 times
Debt-equity ratio	0,23 : 1	0,15 :1
% return on average shareholders' equity	13%	12%
% return on total capital employed	?	15%
Dividends per share	34 cents	20 cents
Earnings per share	133 cents	120 cents
Net asset value per share	1 121 cents	992 cents
Market price on JSE	1 050 cents	980 cents

E. Cash Flow Statement for the year ended 30 June 2015.

Cash flow from operating activities	
Cash generated by operations	1 800 000
Interest paid	(185 000)
Dividends paid	(201 500)
Tax paid	**(a)**
Cash flow from investing activities	
Purchases of fixed asset	**(b)**
Proceeds on sale of fixed asset	140 000

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Increase in fixed deposit	(60 000)
Cash flow from financing activities	
Proceeds on shares issued	**(c)**
Buy-back of shares	**(d)**
Increase in mortgage loan	850 000
Net change in cash and cash equivalent	
Cash and cash equivalent at the beginning	190 000
Cash and cash equivalent at the end	(547 500)

QUESTION 5B(23 Marks;14 Minutes)

STOCK VALUATION AND INTERNAL CONTROL

5.1 **STOCK VALUATION**

You are provided with information relating to Sibusiso Car Dealers. The owner, Sibusiso, sells used cars. The business uses the specific identification method of valuing stock. The information given below relates to the month of August 2015.

REQUIRED:

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5.1.1 Explain why it would be unreasonable for this business to value its stock items on the basis of FIFO or weighted average. Provide TWO points (4)

5.1.2 Explain why it would be unreasonable for certain businesses to use the specific identification method, e.g petrol shop. Provide TWO points (4)

5.1.3 Sibusiso Car Dealers does not want the cost prices of stock items to be public knowledge. What strategies could they use to keep the cost prices confidential? (2)

5.1.4 Calculate the gross profit earned during August 2015. (4)

INFORMATION:

	Description	**Cost price**	**Published selling price**
Item 1	BMW 1 series coupe	270 000	305 000
Item 2	BMW 2 series coupe	290 000	360 000
Item 3	BMW 3 series coupe	350 000	440 000
Item 4	BMW 4 series coupe	400 000	470 000
Item 5	BMW 5 series coupe	850 000	970 000

Items 2, 3 and 5 are sold for cash during August 2015 at their published selling price.

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5.2 INTERNAL CONTROL OF INVENTORY: PROBLEM SOLVING

You are provided with information taken from Nokubonga Stores on 31 August 2015. The owner, Nokubonga, is uncertain as to whether she should be satisfied with the control of all of these items.

REQUIRED:

- Identify a problem in respect ot the manner in which each item has been managed.
- Quote figures to support your comment. (9)
- In each case offer Nokubonga practical advice for the future.

	TV SETS	CELL PHONES	RADIOS
Opening units(opening stock)	120	220	318
Number of units sold during the year	600	2250	120
Number of units purchased for the year.	680	2 500	430
Number of units per physical count at year-end	200	430	628
Selling price per unit	R8 000	R1 200	R800
Sales	R4 700 000	R2 700 000	R96 000
Period of stock on hand	120 days	69 days	1884 days

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QUESTION 6B(34 Marks; 20 Minutes)

CASH BUDGET AND INTERNAL CONTROL

You are provided with information relating to Ixopo (Pty) LTD. The financial year of the business ended on 31 July 2015. The company issued 800 000 ordinary shares on 31 July 2015 and is planning to repurchase 100 000 ordinary shares in July 2015 from unsatisfied shareholders.

REQUIRED:

6.1 Why it is a good idea to compare budgeted against actual figures? (2)

6.2 Refer to the Cash Budget under information 4. Identify **TWO** items that was incorrectly entered in the Cash Budget. (2)

6.3 Complete the Debtors Collection Schedule for July 2015. (10)

6.4 Calculate the following:

6.4.1 Percentage increase in salary and wages with effect from July 2015. (3)

6.4.2 Missing figures **A** and **B** in the extract from the Cash Budget. (7)

6.5 At the end of July 2015 you identified the following when comparing the budgeted against the actual figures:

- Explain what you would mention to shareholders about each of the following items at the end of July 2015.
- In each case explain what effect these items will have on the company. (8)

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	JULY 2015	
	BUDGETED	**ACTUAL**
Buy back of shares	300 000	300 000
Audit fees	50 000	105 000
Directors fees	170 000	340 000
Advertising	20 000	0

6.6 Shareholders are thinking of purchasing the business premises rather than renting it.

Explain **ONE** major advantage and **ONE** major disadvantage of this option. (2)

INFORMATION:

A. **Sales, purchases of stock and cost of sales:**

Total sales for April 2015 to July 2015 were as follows:

Month	Total sales
April	R120 000
May	R200 000
June	R280 000
July	R320 000

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- 40% of all sales are cash, the rest is on credit.
- The mark-up is 60% on cost of sales at all times.
- Stock is replaced on monthly basis.
- 70% of all purchases are cash, the rest is on credit.

B. **Debtors collection:**

Debtors are expected to pay as follows:

- 30% are expected to pay their account in the month of sale (current) to qualify for 2.5% discount for early payment.
- 50% pay in the following the sales transaction month (30 days).
- 18% pay in the second month (60 days).
- 2% are written off.

C. **Creditors payment:**

Creditors are paid in the month after purchases to receive 5% discount.

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4. **IXOPO LTD.**

EXTRACT FROM CASH BUDGET FOR JUNE AND JULY 2015.

	JUNE 2015	JULY 2015
RECEIPTS		
Cash sales	120 000	140 000
Collection from debtors	?	?
PAYMENTS		
Directors fees	200 000	170 000
Audit fees	-	50 000
Salary and wages	90 000	100 800
Funds for share buy-back	-	300 000
Vehicles bought on credit	190 000	-
Payment to creditors	35 625	**A**
Cash purchase of stock	122 500	**B**
Depreciation	12 800	12 800
Advertising	2 000	2 000
Land and buildings	-	3 000 000
Rent expense	30 750	30 750

QUESTION 1:C INVENTORY SYSTEMS (35 marks; 21 minutes)

TP Electronics is a business that sells laptops. All their products are imported from Germany. The business uses the periodic inventory system and the weighted average method for stock control.

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The financial year ended on 29 February 2014.

REQUIRED:

1.1 Calculate the following: (Rounded off to nearest Rand)

1.1.1 The value of stock on 28 February 2014 using the weighted average method (6)

1.1.2 The cost of sales (using the weighted average method). (4)

1.1.3 Gross profit on sale of laptops. (4)

1.2 Calculate the number of laptops missing. (4)

1.3 Suggest TWO control measures that could be implemented in order to prevent or detect the loss of stock in the future. (4)

1.4 The owner is satisfied with using the weighted average method to value stock. Apart from the FIFO method which other method can he use? (2)

1.5 Give TWO advantages of using the method you mentioned in 1.4. above. (4)

1.6 Calculate the mark-up percentage achieved by TP Electronics in 2014. (3)

1.7 Due to advancement in computer technology, suggest TWO strategies that the owner can implement in order to sustain the business. (4)

INFORMATION:

A. Stock of laptops on 1 March 2013

50 laptops at R2 650 each	R 132 500

B. Purchase of laptops during the year:

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	UNITS	UNIT PRICE (Rands)	TOTAL (Rands)
April 2013	130	3 120	405 600
July 2013	220	2 950	649 000
December 2013	140	3 210	449 400
January 2014	90	3 320	298 800
TOTAL	**580**		**1 802 800**

C. Import duties amounted to R30 300 for the whole year is not included in the above figures.

D. Stock of laptops on 28 February 2014 : 90 units.

E. 520 laptops were sold at R5 300 each during the year.

35

QUESTION 2C RECONCILIATION (40 marks; 24 minutes)

2.1 **BANK RECONCILIATION**

The information presented is from the records of Groblersdal Stores for May 2014, the last day of the financial year.

REQUIRED:

2.1.1 Calculate the balance according to the bank account. Indicate whether it is a favourable or unfavourable balance? (3)

2.1.2 Explain why cheque No. 1698 should not appear on the bank reconciliation statement. (2)

2.1.3 Cheque No. 2025 was issued to a service provider in part payment of an account. Explain how this cheque should be dealt with when preparing the financial statements at the end of the year. Also show what effect this will have on the accounting equation. (4)

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2.1.4 Provide a reasonable explanation for the amount of R980 that appears in the bank reconciliation statement. (2)

2.1.5 The outstanding deposit of R21 480 was investigated. It was discovered that R12 000 of the amount was income from sales received on 12 May 2014. The cashier responsible for the deposits at that time had passed on, and the money would not be recovered.

a) State the general ledger accounts that must be debited and credited to adjust the accounting records. (4)

b) Name and explain the GAAP principle applicable to the adjustment above. (4)

c) Provide two internal control measures that the business can use to prevent a recurrence of what happened. (4)

INFORMATION:

Information extracted from the bank reconciliation statement of Groblersdal Stores on 31 May 2014.

Credit balance as per bank statement		R 25 856
Outstanding deposits		R 21 480
Outstanding cheques:	No. 1698 (11 October 2013)	R1 600
	No. 1894 (15 April 2014)	R 12 300
	No. 2025 (25 June 2014)	R 6 000
Credit amount wrongly debited		R980
Balance as per bank account		?

2.2 CREDITORS RECONCILIATION

You are provided with the account of Botha Wholesalers in the creditor's ledger of Maki Traders and the statement received from Botha Wholesalers. The statement reflects transactions up to 29 May 2014.

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REQUIRED:

2.2.1 List the changes that Maki Traders will make in the Creditors Ledger Account of Botha Wholesalers in order to correct the differences. (9)

2.2.2 Draw up the Creditors Reconciliation Statement on the 31 May 2014 (8)

INFORMATION

A. Creditors' Ledger of Maki Traders.

Botha Wholesalers (CL3)

DATE		DETAILS	FOL	DEBIT	CREDIT	BALANCE
May	1	Account rendered				18 450
	05	Invoice No 1345			2 430	20 880
	07	Debit Note 860			1 200	22 080
	13	Cheque 2110		17 530		4 550
		Cheque 2110 (discount)		850		3 700
	22	Invoice No 1377			9 489	13 189
	25	Invoice No 1396			6 300	19 489
	30	Invoice No 1401			4 350	23 839

B Statement received from BOTHA Wholesalers

Botha Wholesalers

245 West Street

Durban

4000

Debtor: Maki Traders Acc no: 10038

Sibasa Stand 29 29 May 2014

0970

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DATE		TRANSACTIONS	DEBIT	CREDIT	BALANCE
May	01	Opening Balance			18 450
	05	Invoice No 1345	3 330		21 780
	07	Credit Note 860		1 200	20 580
	13	Cheque No 28		17 530	3 050
	20	Invoice No 1350	4 800		7 850
	22	Invoice No 1377	9 489		17 339
	25	Invoice No 1396	6 300		23 639
	29	Interest on overdue account	120		23 759

ADDITIONAL INFORMATION

A Invoice No. 1345 on 5 May 2014 was incorrectly recorded as R2 430 in the creditor's ledger of Maki Traders.

B Maki Traders qualified for a discount on the payment made in May 2014 as per agreement. Botha Wholesalers forgot to deduct it and apologised indicating it will be deducted on the next statement.

C Invoice No. 1350 for R4 800 on the statement received, was an error made by Botha Wholesalers. This invoice was not issued to Maki Traders.

D Credit Note No. 860 was recorded incorrectly by Maki Traders.

E Invoice No. 1401 does not appear on the statement as it was issued after the statement date.

40

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QUESTION 3C MANUFACTURING(45 marks; 27 minutes)

Calvin Trader is a business that manufactures rain boots. Their financial year ends in February each year.

REQUIRED:

3.1 Use the information provided to calculate the following on 28 February 2014.

3.1.1 Factory overhead costs. (12)

3.1.2 Administration costs. (10)

3.1.3 Selling and distribution costs. (7)

3.2 Complete the Production Cost Statement. (7)

3.3 Prepare the abridged Income Statement. (9)

INFORMATION

A. **Stock balances.**

	28 FEBRUARY 2014	**1 MARCH 2013**
Direct material cost	R26 000	R31 000
Work in process	?`	R85 450
Finished goods on hand	R69 400	R72 400
Factory indirect material	R2 100	R1 950

B **Summary of transactions and for the year ending 28 February 2014**

Direct material purchased	R 548 000
Indirect material purchased	R 21 900
Factory Wages paid: direct labour	R 340 000
Factory Wages paid: indirect labour	R 56 000
Salaries: Administration staff	R 179 000
Salaries: sales and distribution staff	R 65 000
Pension Fund contribution: Direct labour	R 24 500
Depreciation on factory equipment	R 46 000

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Depreciation on office equipment	R7 800
Depreciation on delivery equipment	R 4 800
Rent of building	R 89 000
Insurance	R 30 000
Water and electricity	R 12 000
Stationery: Administration	R 3 200
Commission on sales	R 113 400
Advertising	R 13 800
Sales	R 1 800 000

C. ADDITIONAL INFORMATION

- Rent and insurance expenses must be allocated as follows:

  60% to the factory.

  30% to administration.

  10% to sales and distribution.

- Water and electricity must be distributed in the ratio 7:2:1 for factory, office and sales departments respectively.

- The cost of production was **R65,00** per unit.

  18 000 units were manufactured.

45

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QUESTION 4C COMPANY FINANCIAL STATEMENTS AND FIXED ASSETS

(70 marks; 40 minutes)

4.1 MATCHING ITEMS

Choose a description from COLUMN B that matches with a the concept in COLUMN A. Write only the letter (A–D) next to the question number (4.1.1–4.1.4) in the ANSWER BOOK.

Column A	Column B
4.1.1 Current assets	A Amount owed to Shareholders at the end of a financial year.
4.1.2 Equity	B Income tax liability for a financial year.
4.1.3 Expense	C Amount owed by SARS to the company.
4.1.4 Current liabilities	D Retained income.

(8)

4.2 GIYANI LIMITED

You are provided with the information of Giyani LTD for the year ended 28 February 2014

Giyani LTD has an authorised share capital of 500 000 shares.

REQUIRED:

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4.2.1 Refer to **INFORMATION A and B.**

Complete the Note for Fixed/Tangible Assets by filling in the missing figures indicated by an *. (16)

4.2.2 Prepare the following notes to the balance sheet for the financial year ended 28 February 2014.

- Ordinary Share Capital (10)
- Retained Income (8)

4.2.3 Prepare the Balance Sheet of Giyani Ltd as at 28 February 2014.

Show your workings in brackets in order to earn part marks. (28)

INFORMATION:

A. **Note to the Balance Sheet on 28 February 2014**

FIXED/TANGIBLE ASSETS	VEHICLE	EQUIPMENT
Carrying value	**R 500 000**	**R 128 000**
Cost (1/3/2013)	**740 000**	*
Accumulated depreciation (1/3/2013)	*	**(32 000)**
Movements		
Additions at cost	*	*
Disposal at carrying value	*	**0**
Depreciation	*	*
Carrying value (28/02/2014)	*	*
Cost (28/02/2014)	*	**214 000**
Accumulated depreciation (28/02/2014)	*	*

B. **Details of fixed assets:**

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- An old vehicle with a cost price of R150 000 was traded-in on the 1 September 2013 for a new one costing R300 000. The trade-in value was R60 000 and the accumulated depreciation on the vehicle traded-in vehicle was R98 000 on 1 March 2013.

- New equipment was bought for R54 000 on the 28 February 2014.

- Provide for depreciation on equipment at 10% p.a. on cost price, and on vehicle at 15% p.a. on the diminishing balance method.

C. The following figures were extracted from the accounting records at the end of the financial year on 28 February 2014, the financial year-end.

Ordinary share capital (1March 2013)	1 040 400
Retained income (1 March 2013)	270 000
Tangible assets/Fixed assets	?
Loan : Capitec (1March 2013)	300 000
Fixed deposit : West Bank	400 000
Bank (Dr)	211 400
Trading stock	213 400
Consumable stores on hand	1 280
Creditors control	16 220
Debtors control	69 800
Provision for bad debts	1 800
SARS: Income tax (Provisional tax)	368 000
Expenses prepaid	2 400
Accrued expenses	42 680
Shareholders for dividend	380 000

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D. One of the fixed deposits at West Bank of R210 000 matures on 30 June 2014. The rest matures on 30 September 2016.

E. The following relate to the mortgage loan from C.M. Finance:

- Interest is capitalised.
- Interest for the year R45 580.
- The loan will be reduced by R66 400 over the next financial year.

F. Share Capital and dividends:

- The issued share capital on 1 March 2013 was R1 040 400, consisting of 218 000 ordinary shares.
- 30 000 new shares were issued on 1 June 2013 at an issue price of R5, 00 each.
- On the 28 February 2014, the company bought back 60 000 ordinary shares at R6, 00 each.
- Interim dividends paid during the year amounted to R320 000.
- Final dividends of R380 000 were declared on 28 February 2014.

G. The Income Statement reflected:

- Net profit before tax, R903 900
- Income tax for the year, R359 000.

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QUESTION 5 AUDIT REPORT, CORPORATE GOVERNANCE, CASH FLOW AND INTERPRETATION

(75 marks; 45 minutes)

5.1 Choose one word from the word bank and match it with the statement given.

Directors; Balance sheet; External auditor's report; Income statement; Cash flow statement; Shareholders

5.1.1	This indicates how cash was generated and utilised.	
5.1.2	The report that expresses an opinion whether the financial statements of the company are reliable or not.	
5.1.3	They are responsible for the preparation of the financial statements of the company.	
5.1.4	This reflects the net profit/loss of the company at the end of the financial year.	
5.1.5	It shows the financial position of the company on a specific date.	(10)

5.2 **AUDIT REPORT**

The following was extracted from the audit report issued by the independent auditors of BOTLOKWA LTD.

Audit opinion – to the shareholders
In our opinion, the financial statements of the company have not been properly prepared, in accordance with prescribed accounting standards i.e. IFRS and GAAP.
FULUL & Associates Charted Accountants (SA) Registered Accountants and Auditors **MUSINA** **28 August 2014.**

REQUIRED:

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5.2.1 Provide ONE reason why public companies must be externally audited. (2)

5.2.2 Other that the shareholders, name TWO other parties that would be interested in this audit opinion and give a reason for the interest (4)

5.2.3 What does the abbreviation SAICA stand for? (2)

5.2.4 What type of report did BOTLOKWA Ltd receive? Explain. (3)

5.2.5 The following extract appeared in the Directors report of Botlokwa LTD.:

"In terms of the outreach programme, Botlokwa LTD has established a sports academy in the local township. The company is providing sporting facilities to schools and maintain sports ground".

Provide TWO points why you think it is necessary for the company to provide such sponsorship. (4)

5.3 CASH FLOW AND INTEPRETATION

Ellisrus Ltd is a public company with an Authorised Share Capital of 750 000 ordinary shares. The financial year ended on 31 August 2013.

REQUIRED

5.3.1 Calculate the amount that would appear on the Cash Flow Statement for each of the following:

- Proceeds from the sale of asset (carrying value). (5)
- Taxation paid (4)

5.3.2 Prepare the following sections of the Cash Flow Statement

- Cash generated from operation. (11)
- Cash flow from financing activities. (3)

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5.3.3 Calculate the following financial indicators for 2013.

- Operating income on sales. (3)
- Net asset value per share. (3)
- Return on shareholders' equity (ROSHE). (4)
- Debt equity ratio. (3)

5.3.4 Do you think it will be wise for the business to increase the loan in the future to finance the expansion of its store? Explain.

Quote ONE financial indicator (with relevant figures) to support your answer. (4)

5.3.5 As a shareholder will you be satisfied with your return on investment? Explain. Quoting TWO relevant financial indicators (with figures) to motivate your response. (5)

5.3.6 Is the business managing its debtors and creditors efficiently? Explain and quote relevant figures. (5)

INFORMATION:

A **Extract from the Income Statement:**

	31 AUGUST 2013
Sales	1 210 000
Depreciation	78 400
Operating expenses	621 000
Operating income	420 000
Interest expense	23 000
Net profit before tax	166 000
Income tax for the year	46 840

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B **Information extracted from the Balance Sheet:**

	31 AUGUST 2013	1 SEPTEMBER 2012
Tangible/ Fixed Assets (carrying value)	959 000	728 000
Financial Assets	100 000	130 000
Inventories	56 000	82 000
Trade and other receivables (Note 1)	64 000	79 000
Cash and cash equivalent	19 000	11 700
Shareholders' equity	**881 200**	**657 800**
Ordinary Share Capital	820 000	600 000
Retained income	61 200	57 800
Long- term loan	200 000	240 000
Trade and other payables (Note 2)	116 800	132 900

NOTE: 1

Trade and other receivables:

	31 AUGUST 2013	1 SEPTEMBER 2012
Trade debtors	45 000	51 000
SARS : Income tax	4 100	-
Expenses prepaid	14 900	28 000
	64 000	**79 000**

NOTE: 2

Trade and other payables:

	31 AUGUST 2013	1 SEPTEMBER 2012
Trade Creditors	52 000	77 000
Accrued expenses	4 800	-

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SARS: Income tax	-	11 900
Shareholders for dividend	60 000	44 000

C. **ADDITIONAL INFORMATION:**

- On the 31 August 2013, the company had 300 000 shares in issue. Additional shares were issued on 1 September 2012.

- Dividends paid and declared:

Paid on 8 September 2012	R44 000
Interim dividend paid on 31 March 2013	R36 000
Declared on 31 August 2013	R60 000

- Fixed Assets :

  - Equipment was disposed at carrying value during the year.
  - New fixed assets were purchased for R320 000 during the year.

D. The following financial indicators were calculated for the past two financial years.

	31 AUGUST 2013	**1 SEPTEMBER 2012**
Current ratio	1,2:1	1,3:1
Acid test ratio	0,7:1	0,7:1
Stock holding period	32 days	37 days
Debt/equity ratio	?	0,4:1
Earnings per share (EPS)	41 cents	37 cents
Dividend per share (DPS)	32 cents	26 cents
Return on shareholders' equity (ROSHE)	?	17%
Debtors collection period	54 days	60 days
Creditors payment period	45 days	48 days
Net asset value per share (NAV)	?	229 cents

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Operating expenses on sales	51%	47%
Operating income on sales	?	34%

75

QUESTION 6C BUDGET AND PROBLEM SOLVING (35 marks; 21 minutes)

You are provided with information from the records of Makgatho Ltd from October 2014 to 31 December 2014 1

The company has an authorised share capital of 650 000 shares. The company uses a mark-up of 65% on cost.

REQUIRED:

6.1 Complete the debtors' collection schedule for the period 1st October 2013 to 31 December 2013 (9)

6.2 Give ONE difference between the projected income statement and a cash budget. (4)

6.3 Calculate the amount of the fixed deposit. (4)

6.4 Calculate the interim dividend to be paid in December 2014. New shares also qualify for interim dividend. (4)

6.5 Calculate the % increase in wages. Should workers be happy? Explain. (6)

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6.6 Compare the actual figures of the budgeted period to the budgeted figures for the items listed below. Identify a possible problem in each of the following items and suggest.

- Collection from debtors
- Telephone
- Advertisement
- Rent income

(8)

INFORMATION:

A. Information extract from the projected income statement:

1 October 2014 – 31 December 2014

	October	November	December
Total sales	420 000	441 400	529 200
Cash sales	244 000	265 000	317 600
Credit sales	168 000	176 400	211 680

B. Credit sales for August 2014 and September 2014 amounted to R210 000 and R234 000 respectively.

C. **Expected collections from debtors:**

45% of the debtors settle their accounts during the transaction month to benefit from 5% discount for prompt payment

40% to be collected in the month following the transaction month

10% settle their accounts during the second month after the transactions month.

5% is written off as irrecoverable after 90 days.

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D. **Share Capital:** 350 000 shares were in issue at the beginning of the financial year. New shares were issued at R6,50 per share.

E. **Dividends**: An interim dividend of 15 cents per share will be paid in December 2014.

F. **Fixed deposit**: R40 000 of the fixed deposit will mature on 31 December 2014 and interest is received monthly at 9%.

G Extract from the Cash Budget: 1 October 2014 to 31 December 2014.

RECEIPTS	**October**	**November**	**December**	**Total**
Cash for debtors	?	?	?	530 250
Fixed deposit			40 000	40 000
Interest of fixed deposit	600	600	600	1 800
Rent income	20 000	18 000	21 000	59 000
Proceeds from shares	422 500			422 500
PAYMENTS				
Cash purchases	136 500	143 325	171 992	451 815
Water and electricity	2 800	2 800	2 600	8 200
Telephone	2 000	1 500	2 500	6 000
Wages	24 000	25 200	25 200	74 400
Advertising	11 000	12 000	13 000	36 000
Directors' fees	85 000	85 000	95 200	265 200
Interim dividend			?	?

H Actual figures for the three months ended 31 December 2014.

Total sales	1 450 000
Cash sales	940 000
Credit sales	510 000
Rent income	44 000
Telephone	8 000
Collection from debtors	410 000
Water and electricity	10 500
Purchases	350 000
Advertisement	45 000

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