

STICKER

CENTRE NUMBER

5	3	1	2	2	1	8	
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EXAMINATION NUMBER

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NATIONAL SENIOR CERTIFICATE

ACCOUNTING

GRADE 12

NOVEMBER 2019

SPECIAL ANSWER BOOK

QUESTION	MARKS	INITIAL	MOD.
1			
2			
3			
4			
5			
6			
TOTAL			

This answer book consists of 17 pages.

3

8

5

4

1.3 CHAIRS FACTORY

1.3.1 Provide a calculation to confirm the break-even point for 2019.

Workings	Answer
$ \begin{array}{r} 16\,000 \times 96 \\ \hline 1\,536\,000 \\ 390 - 305 \end{array} $	18 071 units

4

1.3.2 Comment on the break-even point and the production level achieved. Quote figures.

The business produced and sold 2 071 units lower than the BEP of 18 071 units. The business is making a loss.
 Production increased by 1 000 units but BEP increased by 5 671 units. It's costing the business more to produce only an additional 1 000 units.

4

1.3.3 Sihle feels that wood raw material was not well controlled. Provide a calculation to support his opinion.

Wood required: $16\,000 \times 1.2 = 19\,200 \text{ m}^2$
 Wood dispatched: 22 000
 Wastage: $22\,000 - 19\,200 = 2\,800 \text{ m}^2$

4

Identify TWO possible causes of this problem. Provide a solution for EACH.

	POSSIBLE CAUSES	SOLUTION FOR EACH
Cause 1	Poor quality wood used	Change supplier to get better quality
Cause 2	Wastage during production – too much offcuts	Increase supervision of workers – computerised programmes to cut wood

4

1.3.4 Give TWO reasons for the increase in direct labour cost. Provide a solution for EACH.

	REASONS	SOLUTION FOR EACH
Reason 1	Increase in overtime worked	Set targets for workers to achieve during normal time
Reason 2	Load shedding – production takes a longer time	Invest in generators

4

TOTAL MARKS

45

QUESTION 2**2.1.1 State THREE advantages of EFTs.**

Advantage 1	It is safe / convenient to use / quick and easy
Advantage 2	It can be done from the business; not restricted to business hours.
Advantage 3	Payment/receipt is instant; account is updated immediately. no long queues to deal with

3

2.1.2 Janet, the bookkeeper, has been assigned the duty of processing and controlling all EFTs.**Explain TWO reasons why the internal auditor is concerned about this.**

Reason 1	Too many related job functions. She may be negligent in performing her duties /Lack of supervision can result to abuse of the system. Possible fraud
Reason 2	No division of duties – no checks and balances/If Janet is absent/resign, there may not be any continuity. Payments not made on time etc.

4

2.2 Show changes in the Cash Journals for June 2019.

CASH RECEIPTS JOURNAL		CASH PAYMENTS JOURNAL
27 470	Provisional totals	32 400
1 500		1 125
1 400		1 200
2 700		175
2 800		
130		
36 000	TOTALS	34 900

11

2.3 Calculate: Bank Account balance

Workings				Answer
Bank				R10 300 Favourable
Balance	9 200		34 900	
	36 000	Balance c/d	10 300	
	45 200		45 200	
Balance b/d	10 300			

4

2.4

BANK RECONCILIATION STATEMENT ON 30 JUNE 2019			
	Debits	Credits	
Cr balance as per bank statement		12 550	
Dr outstanding cheques/EFT's:			
444	4 670		
EFT 14	3 800		
522	4 580		
Cr amount wrongly debited		1 125	
Cr outstanding deposit		9 675	
Dr balance as per bank account	10 300		
	23 350	23 350	8

TOTAL MARKS
30

QUESTION 3**CABINETS**

3.1

Calculate the value of closing stock using FIFO.

Workings	Answer
$(250 - 20) = 230 \times R1\ 100 = R253\ 000$ $50 \times R990 = R49\ 500$ Closing stock: $R253\ 000 + R49\ 500$	R302 500

6

3.2.1

Calculate the % mark-up achieved in 2019.

Workings	Answer
$\frac{1\ 309\ 500}{2\ 170\ 500} \times \frac{100}{1}$	60.3%

4

3.2.2

Provide TWO points (with figures) to prove that this decision achieved its aims.

Point 1	Sales increase from R3 375 000 to R3 480 000
Point 2	Number of customers has increased from 26 to 37 customers

4

3.2.3

The CEO feels that this decision also negatively affected the company.**Provide TWO points (with figures) to support his opinion.**

Point 1	The number of units sold decreased from 2 500 to 2 320
Point 2	The gross profit has decreased from R1 425 000 to R1 308 500

4

Give the directors advice to solve this problem. Explain TWO points.

Point 1	Increase advertising
Point 2	Give trade discounts only to customers who buy a specific quantity/Reduce the percentage of the trade discount

2

LAMPS

3.3	Calculate the stockholding period for lamps (use closing stock).				
	<table> <tr> <th>Workings</th><th>Answer</th></tr> <tr> <td> $\frac{59\,625}{930\,375} \times \frac{365}{1}$ </td><td>23.4 days</td></tr> </table>	Workings	Answer	$\frac{59\,625}{930\,375} \times \frac{365}{1}$	23.4 days
Workings	Answer				
$\frac{59\,625}{930\,375} \times \frac{365}{1}$	23.4 days				

3

3.4	Calculate the number of missing lamps.				
	<table> <tr> <th>Workings</th><th>Answer</th></tr> <tr> <td> $600 + 3\,800 - 3\,675 - 265$ </td><td>460</td></tr> </table>	Workings	Answer	$600 + 3\,800 - 3\,675 - 265$	460
Workings	Answer				
$600 + 3\,800 - 3\,675 - 265$	460				
	Give TWO suggestions to solve this problem.				
Suggestion 1	Increase supervision at point of receipt of stock/place security devices on products displayed in the store				
Suggestion 2	Do random physical inspection of stock to reconcile stock on hand with stock sheets				

5

4

TELEVISION SETS

3.5	Calculate the value of the closing stock of TV sets on 30 September 2019 using the specific identification method.				
	<table> <tr> <th>Workings</th><th>Answer</th></tr> <tr> <td> $(800 + 500 - 430) 870 \times R6\,000 = R5\,220\,000$ $(950 + 500 - 540) 910 \times R7\,200 = R6\,552\,000$ </td><td>R11 772 000</td></tr> </table>	Workings	Answer	$(800 + 500 - 430) 870 \times R6\,000 = R5\,220\,000$ $(950 + 500 - 540) 910 \times R7\,200 = R6\,552\,000$	R11 772 000
Workings	Answer				
$(800 + 500 - 430) 870 \times R6\,000 = R5\,220\,000$ $(950 + 500 - 540) 910 \times R7\,200 = R6\,552\,000$	R11 772 000				

7

3.6	Explain THREE different concerns that George would have about this problem.
Concern 1	Bruce is supporting Roseway for personal gain. Roseway is being supported because of the bribe offered by them.
Concern 2	High value of unsold stock. Stock may become redundant due to advancements in technology.
Concern 3	Unethical behaviour of CFO has compromised the resources of the company placing it at risk

6

TOTAL MARKS

45

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QUESTION 4

4.1

4.1.1	C
4.1.2	E
4.1.3	D
4.1.4	A
4.1.5	B

5

4.2

VISIV LTD

4.2.1

(i) Calculate: Depreciation for the current year	
Workings	Answer
$25\% \times (400\,000 - 175\,000) \times 8/12$	R37 500
(ii) Calculate: Carrying value of vehicle sold	
Workings	Answer
$400\,000 - (175\,000 + 37\,500)$	187 500
Calculate: Profit/Loss on sale of asset	
Workings	Answer
$195\,000 - 187\,500$	R7 500 profit
Calculate: Fixed assets carrying value on 28 February 2019	
Workings	Answer
$10\,190\,000 - 400\,000 + 212\,500 - 37\,500$	9 965 000

5

2

4

4.2.2 Calculate the correct net profit after tax for the year ended 28 February 2019. Indicate (+) for increase and (–) for decrease.

Workings	Answer
Incorrect net profit before tax	822 700
Provision for bad debts adjustment	(65 000)
Advertising	9 800
Rent income	(28 000)
Depreciation	(37 500)
Profit on sale of vehicle	7 500
Income tax	(198 000)
Correct net profit after tax	511 500

9

4.2.3 RETAINED INCOME NOTE:

Balance at beginning	865 300
Net profit after tax	511 500
Shares repurchased (360 000 x R0.30)	(108 000)
Ordinary share dividends	(783 200)
Interim	295 200
Final (2 440 000 x 20/100)	488 000
Balance at end	485 600

9

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VISIV LTD STATEMENT OF FINANCIAL POSITION (BALANCE SHEET) ON 28 FEBRUARY 2019	
ASSETS	
Non-current assets	10 624 000
Fixed assets	9 965 000
Fixed deposit	659 000
Current assets (2 900 000 x 0.8)	2 320 000
Inventories	1 102 000
Trade and other receivables (1 090 000 – 65 000 + 9 800 + 7 600)	1 042 400
Cash and cash equivalents	175 600
TOTAL ASSETS	12 944 000
EQUITY AND LIABILITIES	
Ordinary shareholders' equity	8 637 600
Ordinary share capital	8 152 000
Retained income	485 600
Non-current liabilities	1 406 400
Mortgage loan: Prati Bank (1 758 000 – 351 600)	1 406 400
Current liabilities	2 900 000
Trade and other payables (1 906 800 + 28 000 + 7 600 + 75 000)	2 017 400
SARS: Income tax	43 000
Shareholders for dividends	488 000
Current portion of loan	351 600
TOTAL EQUITY AND LIABILITIES	12 944 000

4.3 AUDIT REPORT**4.3.1****What type of audit report did the company receive?**

Disclaimer

1

4.3.2**Give TWO examples of audit evidence that the auditors would have required regarding this problem.****Example 1**

Bank statements

Example 2

Fixed assets register

2

4.3.3**Apart from the current ratio, identify and calculate ONE other financial indicator that the auditors would have used in deciding on this opinion.****Identify ONE other financial indicator:**

Acid test ratio

Calculate the financial indicator:

$$\frac{2\,320\,000 - 1\,102\,000}{1\,218\,000} : 2\,900\,000 = 0,4 : 1$$

4

Explain what the directors could have done to prevent this comment by the auditors. Provide TWO points.**Point 1**

Cash in investments to improve liquidity ratios

Point 2

Reduce the dividends paid to improve liquidity

2

TOTAL MARKS**70**

QUESTION 5

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5.1

5.1.1	B
5.1.2	A
5.1.3	C
5.1.4	B

4

5.2

SUNSET LTD

5.2.1

Calculate: Income tax paid		
Workings		Answer
- 63 000 + 477 900 – 18 000		R396 900
Calculate: Dividends paid		
Workings		Answer
195 000 + 420 000		R615 000
Calculate: Proceeds of shares issued		
Workings		Answer
Ordinary share capital		R284 000
Repurchased	1 860 000	
Balance	b/d 9 300 000	
Balance	c/d 7 724 000	
7 724 000 + 1 860 000 – 9 300 000		
Calculate: Fixed assets purchased		
Workings		Answer
10 658 000 + purchased – 490 000 – 408 000 = 11 835 100 11 835 100 – 10 658 000 + 490 000 + 408 000		R2 075 100

4

4

6

5

5.2.2

Calculate financial indicators for the year ended 28 February 2019:

% operating profit on sales	
Workings	Answer
$\frac{2\,033\,900}{8\,725\,000} \times \frac{100}{1}$	23.3%
Net asset value per share	
Workings	Answer
$\frac{8\,625\,000}{1\,240\,000} \times 100 \text{ c}$	695.6 cents
Debt-equity ratio	
Workings	Answer
3 500 000 : 8 625 000	0.4:1

4

4

4

5.3 HORIZON LTD and OPTIMA LTD**5.3.1****Explain why directors should be interested in the price of their companies' shares on the JSE.**

It shows the confidence of the public in the shares of the company. It also shows capital growth in the investment of the shareholders as the shareholders can only redeem their investment by selling off their shares at the highest price possible.

2

Calculate the number of additional shares in Horizon Ltd that Mike was able to buy on the JSE in 2019.

Workings	Answer
420 000 ÷ R8.40	50 000 shares

3

Comment on the price that Mike paid for these shares and provide TWO reasons why he might have been satisfied to pay this price.**Comment (with figures):**

Exceeds the NAV (R7.50) by 90 cents

Reason 1 :

The purchase of the additional 50 000 shares will make him the majority shareholder (630 000/1 240 000 x 100) 50.8% shareholding

Reason 2:

He expects his investment to grow over time in this company by more than the amount that he has invested.

6

5.3.2**Explain your opinion on which company has the better dividend pay-out policy. Quote figures.**

Payout policies:

Horizon: $65/97 \times 100 = 67\%$ Optima: $80/83 \times 100 = 96\%$

Optima has a better dividend pay-out policy as the shareholders are receiving a greater portion of the net profit.

6

Compare and comment on the % return on equity earned by EACH company. Quote figures.

Horizon: Poor return (6.2%) as it is lower than the rate of interest on investments (6.5%)

Optima: High return (18.2%) as it is greater than the rate of interest on investments (6.5%)

4

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Mike feels that the earnings per share (EPS) of Optima Ltd is much better than that of Horizon Ltd. Explain why he feels this way. Quote figures or calculations.

Horizon Ltd:

$97/750 \times 100 = 12.9\%$ yield on NAV

Optima:

$83/445 \times 100 = 18.7\%$ yield on NAV

The yield return on NAV is greater in Optima

5

5.3.3

Explain TWO decisions taken by the directors of Horizon Ltd in response to the state of the economy, and how these decisions will affect the company in future.

Decision 1 (with figures):

Sale of fixed asset, R1 800 000

Decision 2 (with figures):

Redeemed investment, R900 000

Effect on Horizon Ltd in future:

Reducing the investment in the fixed assets could lead to a decrease in the operating efficiency of the company and this may have a negative effect on the profits.

Reducing the investments could lead to the depleting the cash reserves of the company.

6

Explain TWO decisions taken by the directors of Optima Ltd that affect risk and gearing. Quote and comment on TWO financial indicators.

Decision 1 (with figures):

Increased the loan, R3 800 000

Decision 2 (with figures):

Sale of additional shares, R200 000

Quote and comment on TWO financial indicators that affect risk and gearing.

The financial risk will increase (0.7:1)

The company is positively geared (15.1% greater than 12%)

8

TOTAL MARKS

75

QUESTION 6

6.1

	CASH BUDGET			PROJECTED INCOME STATEMENT		
	Nov. 2019	Dec. 2019	Jan. 2020	Nov. 2019	Dec. 2019	Jan. 2020
Printer bought	40 800					
Depreciation					680	680
Insurance			48 000			4 000
Loan received		100 000				
Loan repayments			5 000			
Interest			1 000			1 000

11

6.2

Thembi is preparing projections for the period commencing 1 November 2019. Thembi does not grant discount for early payment.

Calculate the % of debtors who settle their accounts in the 2nd month following the credit sales transaction month.

Workings	Answer
$75\,000/100\,000 \times 100$	75%

3

Calculate the % of debtors written off as bad debts at the end of the 3rd month following the credit sales transaction month.

Workings	Answer
$3\,000/100\,000 \times 100$	3%

4

6.3.1

Office workers are unhappy with the increase that Thembi gave them on 1 October 2019. Explain what she should say to them. Provide TWO points. Quote figures or a calculation.

	Explanations	Figures/Calculations
Point 1	They are getting an unbudgeted increase.	$1\,840/9\,200 \times 100 = 20\%$
Point 2	The owner is taking a cut in his directors fees	$10\,000/50\,000 \times 100 = 20\%$

6

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6.3.2 Thembi pays her son, Jacob, to deliver and install carpets for customers. She budgets R2, 80 per metre for this.

Comment on the control of this expense. Quote figures or a calculation.

During September the budgeted amount of R14 000 was paid. However only 3 800 m were installed. The cost of actual metres installed is R10 640. This is not well controlled.

In October it has been well controlled. Although there was an overpayment of R2 800 the payment of R16 800 made was for the 6 000 m that were installed. Well controlled.

4

6.3.3 A new competitor commenced trading in the area on 1 September 2019.

Provide figures to illustrate the impact on sales in September.

Sales decreased from R490 000 to R380 000.

2

Explain THREE decisions that Thembi took in October in response to the new competitor. Quote figures or a calculation.

	Explanation (with figures)
Decision 1	Promoted credit sales – increase of R296 000
Decision 2	Reduced the selling price from R100 to R88
Decision 3	Introduced commission to be paid to salespersons (R52 800) instead of salaries (R20 000)

6

6.3.4 Calculate the actual amount payable to creditors in November 2019.

Workings	Answer
360 000 x 50% x 95%	R171 000

4

TOTAL MARKS

40

TOTAL: 300