

**CENTRE NUMBER**

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**EXAMINATION NUMBER**

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**NATIONAL SENIOR CERTIFICATE**

**ACCOUNTING**

**GRADE 12**

**NOVEMBER 2014**

***SPECIAL ANSWER BOOK***

<b>QUESTION</b>	<b>MARKS</b>	<b>INITIAL</b>	<b>MOD.</b>
<b>1</b>			
<b>2</b>			
<b>3</b>			
<b>4</b>			
<b>5</b>			
<b>6</b>			
<b>TOTAL</b>			

**This answer book consists of 19 pages.**

**QUESTION 1**

1.1

1.1.1	
1.1.2	
1.1.3	
1.1.4	

4

1.2 Calculate the final amount payable to SARS on 31 July 2014.

9

1.3 1.3.1 Calculate the total amount paid for carriage on the purchases on 11 June 2014.

4

1.3.2 Calculate the value of the closing stock on 30 June 2014 using the weighted-average method.

8

**1.3.3 Explain the effect that this will have on the gross profit.**

**ONE valid reason for changing the stock valuation method:**

**ONE valid reason against changing the stock valuation method:**

6

**1.3.4 Harry is concerned about the control of his stock of blazers. He has sold 2 900 blazers during the year. Give a calculation to support his concern.**

4

<b>TOTAL MARKS</b>
35

**QUESTION 2**

- 2.1 The bookkeeper, Litzie, says it is not necessary for her to prepare a **Creditors' Reconciliation Statement** because the creditors send monthly statements to the business anyway. What would you say to her? State **TWO** points.

4

- 2.2

No.	Creditors' Ledger of KZ Stores	Statement of account received from Valley Ltd
Balance	112 820	182 150
A	- 9 000	- 9 000
B		
C		
D		
E		
F		
G		
H		

16

2.3 2.3.1 Explain what action should be taken against J van Wyk. State TWO points.

4

2.3.2 What must the business do to prevent a similar incident in future? Explain THREE points.

6

TOTAL MARKS
30

**QUESTION 3****3.1 3.1.1 SHARE CAPITAL****AUTHORISED SHARE CAPITAL**

<b>750 000 ordinary shares</b>
--------------------------------

**ISSUED SHARE CAPITAL**

_____	<b>Ordinary shares in issue on 1 March 2013</b>		
<b>80 000</b>	<b>Ordinary shares issued during the year</b>		
<b>(75 000)</b>	<b>Ordinary shares re-purchased (average price of _____)</b>		
_____	<b>Ordinary shares in issue on 28 February 2014</b>		
			<b>9</b>

**3.1.2 RETAINED INCOME**

<b>Balance on 1 March 2013</b>	<b>322 500</b>	
<b>Ordinary share dividends</b>		
<b>Balance on 28 February 2014</b>		<b>11</b>

**3.2 VIJAY LIMITED**  
**BALANCE SHEET (STATEMENT OF FINANCIAL POSITION) ON**  
**28 FEBRUARY 2014**

<b>ASSETS</b>	
<b>Non-current assets</b>	
<b>Financial asset: Fixed deposit</b>	<b>650 000</b>
<b>Current assets</b>	
<b>Inventories</b>	<b>275 400</b>
<b>Trade and other receivables</b>	
<b>Cash and cash equivalents</b>	<b>336 600</b>
<b>TOTAL ASSETS</b>	
<b>EQUITY AND LIABILITIES</b>	
<b>Shareholders' equity</b>	
<b>Non-current liabilities</b>	
<b>Current liabilities</b>	
<b>TOTAL EQUITY AND LIABILITIES</b>	

**3.3 Calculate the return on average shareholders' equity for 2014.**

5

**3.4 From 2013 to 2014 the directors made a deliberate decision to change the policy on the distribution of profits in the form of dividends. Comment on this change. Quote financial indicators or figures to support your answer.**

4

**3.5 Comment on whether the shareholders should be satisfied with the percentage return and the market price of their shares. Quote TWO relevant financial indicators (actual figures/ratios/percentages) and their trends. Give an additional comment in each case.**

6



3.6

The external auditors, Hassan and Jacob, have employed Janet to work on the audit of Vijay Ltd. Janet owns 10 000 shares in Vijay Ltd.

Explain why this is a problem.

Give a valid solution.

4

TOTAL MARKS
65

**QUESTION 4**

4.1 Calculate the missing amounts (indicated by a, b and c) in the Fixed/Tangible Asset Note for the year ended 28 February 2014.

NO.	WORKINGS	AMOUNT
a		
b		
c		

12
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4.2 **METEOR SUPERMARKETS LTD**  
**CASH FLOW STATEMENT FOR YEAR ENDED 28 FEBRUARY 2014**

Cash flow from operating activities	
Cash generated from operations	969 600
Interest paid	(88 500)
Cash flow from investing activities	
Cash flow from financing activities	
Net change in cash and cash equivalents	
Cash and cash equivalents at beginning of year	2 488 000
Cash and cash equivalents at end of year	

31
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**4.3** At the AGM, a shareholder stated that the Cash Flow Statement reflects poor decisions by the directors. Explain TWO points, with relevant figures, to support his opinion.

**Point 1:**

**Point 2:**

4

**4.4 4.4.1** Calculate the net asset value per share for 2014.

3

**4.4.2** Calculate the debt-equity ratio for 2014.

3

**4.5** Comment on the liquidity position of the company. Quote **THREE** relevant financial indicators (actual figures/ratios/percentages) and their trends.

**Financial indicator 1 and trend:**

**Financial indicator 2 and trend:**

**Financial indicator 3 and trend:**

**General comment:**

9

**4.6** The directors decided to increase the loan during the current financial year. Quote **TWO** financial indicators (actual figures/ratios/percentages) that are relevant to their decision. Explain why this was a good decision, or not.

**Financial indicator 1:**

**Financial indicator 2:**

**Explanation:**

8

- 4.7 The Bakker family owns 740 000 shares in this company. Explain the effect that the repurchase of shares on 31 December 2013 had on their control of the company. Give a calculation(s) to support your answer.

5

TOTAL MARKS
75

**QUESTION 5**

- 5.1 List FOUR items that should not have been placed in this Cash Budget.

4

5.2 **CREDITORS' PAYMENT SCHEDULE**

MONTH	CREDIT PURCHASES	OCTOBER	NOVEMBER	DECEMBER
August	64 000	9 600		
September	67 200	50 400	10 080	
October	74 000	7 030	55 500	*
November	68 000		6 460	*
December	*			*
		67 030	72 040	*

9

- 5.3 5.3.1 Calculate the total sales for September 2014.

3

- 5.3.2 Calculate the percentage increase in rent income in December 2014.

3

**5.3.3 Calculate the salaries and wages amount for December 2014.**

3

**5.3.4 Calculate the rate of interest on the loan.**

4

**5.4 5.4.1 Calculate the period for which enough stock is on hand (in days) on 30 September 2014.**

**Explain whether this is appropriate for the business.**

6

**5.4.2 Calculate the mark-up percentage achieved for the year ended 30 September 2014.**

4

**5.4.3** Comment on whether or not the change in the mark-up percentage has benefited the business. Give a calculation(s) to support your opinion.

4

<b>TOTAL MARKS</b>
40



**QUESTION 6****6.1 BRIAN'S BRELLIES**

6.1.1 Calculate the direct labour cost.

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5

6.1.2 **FACTORY OVERHEAD COST**

Sundry factory expenses	30 975

19

6.1.3 **PRODUCTION COST STATEMENT FOR THE YEAR ENDED 31 JULY 2014**

Direct material cost	623 700
Prime cost	
Total production cost	
Cost of production of finished goods	

10

**6.2 BEN'S CATERING**

**6.2.1 Identify ONE unit cost for doughnuts and TWO unit costs for pies that were major problems in 2014, considering that the inflation rate was 5%.**

<b>ONE unit cost for doughnuts (Quote figures.)</b>	<b>Problem and advice</b>
	<p><b>Possible cause of the problem:</b></p>      <p><b>Advice:</b></p>
<b>TWO unit costs for pies (Quote figures.)</b>	<b>Problem and advice</b>
	<p><b>Possible cause of the problem:</b></p>      <p><b>Advice:</b></p>
	<p><b>Possible cause of the problem:</b></p>      <p><b>Advice:</b></p>

- 6.2.2 Calculate the number of extra doughnuts he must produce and sell to make an additional profit of R15 000. Assume that the unit costs and selling price for 2014 remain unchanged.

4

- 6.2.3 Name the product which has been negatively affected by the new competitor.

Comment on how this would have affected the net profit on this product.

5

TOTAL MARKS
55

TOTAL: 300



# basic education

Department:  
Basic Education  
**REPUBLIC OF SOUTH AFRICA**

## **NATIONAL SENIOR CERTIFICATE**

**GRADE 12**

**ACCOUNTING  
NOVEMBER 2014**

**MARKS: 300**

**TIME: 3 hours**

**This question paper consists of 17 pages and an answer book of 19 pages.**

**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. Show workings in order to achieve part-marks.
4. You may use a non-programmable calculator.
5. You may use a dark pencil or blue/black ink to answer the questions.

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

<b>QUESTION 1: 35 marks; 20 minutes</b>	
<b>Topic of the question:</b>	<b>This question integrates:</b>
VAT, Inventory and Ethics	<b>Financial accounting</b> VAT concepts and calculations <b>Managing resources</b> Inventory valuation: FIFO and weighted average Ethical behaviour in a financial environment

<b>QUESTION 2: 30 marks; 20 minutes</b>	
<b>Topic of the question:</b>	<b>This question integrates:</b>
Creditors' Reconciliation and Internal Control	<b>Financial accounting</b> Reconciling a Creditors' Ledger Account to a statement of account <b>Managing resources</b> Internal control and internal audit Ethical behaviour in a financial environment

<b>QUESTION 3: 65 marks; 40 minutes</b>	
<b>Topic of the question:</b>	<b>This question integrates:</b>
Financial Statements: Balance Sheet, Interpretation and Ethics	<b>Financial accounting</b> Balance Sheet and notes Analysis and interpretation of financial information <b>Managing resources</b> Professional bodies and code of conduct Ethical behaviour in a financial environment

<b>QUESTION 4: 75 marks; 45 minutes</b>	
<b>Topic of the question:</b>	<b>This question integrates:</b>
Fixed Assets, Cash Flow Statement, Interpretation and Corporate Governance	<b>Financial accounting</b> Cash Flow Statement Analysis and interpretation of financial information <b>Managing resources</b> Interpret and report on movements of assets

<b>QUESTION 5: 40 marks; 25 minutes</b>	
<b>Topic of the question:</b>	<b>This question integrates:</b>
Cash Budget and Internal Control	<b>Managerial accounting</b> Cash Budget – analyse and interpret <b>Managing resources</b> Internal control and problem solving

<b>QUESTION 6: 55 marks; 30 minutes</b>	
<b>Topic of the question:</b>	<b>This question integrates:</b>
Manufacturing	<b>Managerial accounting</b> Production Cost Statement and notes Analysis and interpretation of unit costs and break-even point <b>Managing resources</b> Internal control and internal audit

**QUESTION 1: VAT, INVENTORY AND ETHICS****(35 marks; 20 minutes)****1.1 CONCEPTS****REQUIRED:**1.1.1 What do the letters *VAT* stand for? (1)

1.1.2 What rate of VAT is charged on necessities such as brown bread, milk and fresh vegetables? (1)

1.1.3 What do the letters *FIFO* stand for? (1)

1.1.4 Write down the missing word:

The stock system which involves the recording of the cost of sales for every sales transaction is the ... inventory system. (1)

**1.2 VAT: SEBENZA TRADERS**

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

**REQUIRED:**

Calculate the final amount payable to SARS on 31 July 2014 (you may prepare a VAT Control Account to assist in your calculations). (9)

**INFORMATION:**

	<b>INCLUDING VAT</b>	<b>EXCLUDING VAT</b>	<b>VAT AMOUNT</b>
Balance owed by SARS on 1 July 2014			R11 200
Cash and credit sales invoices	R1 026 000	R900 000	R126 000
Purchase of trading stock	R627 000	R550 000	R77 000
Defective stock returned to suppliers	R2 223	R1 950	R273
Discount allowed to debtors for prompt payment		R47 800	?
New office computer bought on credit	R10 830		?

1.3 **INVENTORY VALUATION: SMART UNIFORMS**

You are provided with information relating to Smart Uniforms for June 2014. The business is owned by Harry Mavuso. They buy and sell school blazers. The business uses the weighted-average method for stock valuation and the periodic inventory system.

**REQUIRED:**

- 1.3.1 Calculate the total amount paid for carriage on the purchases on 11 June 2014. (4)
- 1.3.2 Calculate the value of the closing stock on 30 June 2014 using the weighted-average method. (8)
- 1.3.3 Harry is considering a change in the method of valuing stock. The value of closing stock using the FIFO method will be R20 850 higher than the value using the weighted-average method.
- Explain the effect that this will have on the gross profit. (2)
  - Give ONE valid reason **for** and ONE valid reason **against** changing the stock valuation method. (4)
- 1.3.4 Harry is concerned about the control of his stock of blazers. He has sold 2 900 blazers during the year. Give a calculation to support his concern. (4)

**INFORMATION:****A. Inventory balances:**

Date	No. of units	Price per unit	Total cost
1 June 2014	410	R190	R77 900
30 June 2014	580	?	?

**B. Purchases during the month:**

Date	No. of units	Price per unit	Carriage on purchases	Total cost
11 June 2014	1 600	R215	?	R352 600
18 June 2014	1 210	R240	Nil	R290 400
26 June 2014	470	R265	R3 300	R127 850
<b>Total purchases</b>	3 280			R770 850
<b>Returns from 18 June purchases</b>	5			R1 200



**QUESTION 2: CREDITORS' RECONCILIATION AND INTERNAL CONTROL**  
(30 marks; 20 minutes)

KZ Stores purchase goods on credit from Valley Ltd.

**REQUIRED:**

- 2.1 The bookkeeper, Litzie, says it is not necessary for her to prepare a Creditors' Reconciliation Statement because the creditors send monthly statements to the business anyway. What would you say to her? State TWO points. (4)
- 2.2 Use the table in the ANSWER BOOK to indicate how the relevant balances will change when preparing the creditors' reconciliation. Indicate the figure as well as a + for increase and a – for decrease. The first transaction (Information A) has been done for you. (16)

**INFORMATION:**

The following balances are provided:

In the account of Valley Ltd in the Creditors' Ledger of KZ Stores on 30 September 2014:	R112 820	Credit
On the statement received from Valley Ltd on 25 September 2014:	R182 150	Debit

The following errors and omissions were discovered during an investigation:

- A.** A payment by KZ Stores of R9 000 was omitted from the Creditors' Ledger and the statement.
- B.** An invoice for goods bought for R87 500 was reflected on the statement from Valley Ltd but was not recorded by KZ Stores.
- C.** An invoice for R28 000 received from Valley Ltd was recorded correctly by KZ Stores. The statement of account reflects it as R20 800.
- D.** KZ Stores had correctly recorded discount of R1 400 for early payment of their account. This has not been reflected on the statement from Valley Ltd.
- E.** The statement reflects interest of R630 on the overdue account. Valley Ltd acknowledged that an error had been made and promised to reverse the entry in the October 2014 statement.
- F.** A debit note for R2 100 issued to Value CC was incorrectly recorded in the account of Valley Ltd by KZ Stores.
- G.** A credit note for R5 250 received from Valley Ltd for goods returned was incorrectly recorded as an invoice by KZ Stores.
- H.** Goods purchased from Valley Ltd on 30 September 2014 for R4 600 were recorded by KZ Stores. The statement from Valley Ltd is dated 25 September 2014.

**2.3 Refer to Information B:**

As the internal auditor of KZ Stores, you have detected that only R50 000 of these goods were entered into the stock records by the storeman. The remaining goods were ordered privately by J van Wyk, an employee in charge of creditors.

- 2.3.1 Explain what action should be taken against J van Wyk. State TWO points. (4)
- 2.3.2 What must the business do to prevent a similar incident in future? Explain THREE points. (6)

<b>30</b>
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**QUESTION 3: BALANCE SHEET, INTERPRETATION AND ETHICS****(65 marks; 40 minutes)**

You are presented with information from the records of Vijay Limited. The financial year-end is 28 February 2014.

**REQUIRED:**

- 3.1 Prepare the following notes to the Balance Sheet:
- |       |                 |      |
|-------|-----------------|------|
| 3.1.1 | Share capital   | (9)  |
| 3.1.2 | Retained income | (11) |
- 3.2 Prepare the Balance Sheet (Statement of Financial Position) on 28 February 2014. Where notes are not required, show ALL workings in brackets. (26)
- 3.3 Calculate the return on average shareholders' equity for 2014. (5)
- 3.4 From 2013 to 2014 the directors made a deliberate decision to change the policy on the distribution of profits in the form of dividends. Comment on this change. Quote financial indicators or figures to support your answer. (4)
- 3.5 Comment on whether the shareholders should be satisfied with the percentage return and the market price of their shares. Quote TWO relevant financial indicators (actual figures/ratios/percentages) and their trends. Give an additional comment in each case. (6)
- 3.6 The external auditors, Hassan and Jacob, have employed Janet to work on the audit of Vijay Ltd. Janet owns 10 000 shares in Vijay Ltd.  
Explain why this is a problem and give a valid solution. (4)

**INFORMATION:**

A. The authorised share capital consists of 750 000 ordinary shares.  
On 1 March 2013, only 60% of the shares were in issue.

B. The following amounts were extracted from the records:

	28 Feb. 2014	28 Feb. 2013
Ordinary share capital	?	3 215 000
Retained income	?	322 500
Total ordinary shareholders' equity	?	3 537 500
Fixed assets (carrying value)	?	
Fixed deposit: Sam Bank	650 000	
Loan: William Bank	482 600	
Inventories	275 400	
Debtors' Control	243 500	
Creditors' Control	62 460	
Cash in the bank and petty cash	336 600	
Income received in advance (Rent)	12 120	
Prepaid expenses (Insurance)	7 600	
Provisional income tax payments	299 980	
Interim dividends paid on 31 Aug. 2014	270 000	

- C.** On 1 November 2013, the company issued a further 80 000 shares at R9,50 per share.
- D.** On 28 February 2014, the directors decided to repurchase 75 000 ordinary shares from the estate of a shareholder who had died. This shareholder had originally purchased his shares on the JSE at various times and at different prices. A repurchase price of R10,40 was accepted as being a fair price.
- E.** On 27 February 2014, a final dividend of 40 cents per share was declared. All shares, including the new shares issued and repurchased, qualify for final dividends.
- F.** The loan statement from William Bank received on 28 February 2014 reflected interest capitalised at R81 400. This was not recorded in the books. The business expects to settle 20% of the outstanding balance in the next financial year.
- G.** After all the above adjustments were taken into account the net profit before tax was calculated to be R1 161 000. The income tax is calculated at 30% of net income before tax.

**H.**

<b>Financial indicators on 28 February:</b>	<b>2014</b>	<b>2013</b>
Earnings per share (EPS)	170 cents	82 cents
Dividends per share (DPS)	100 cents	82 cents
Net asset value (NAV)	846 cents	786 cents
Return on shareholders' equity (ROSHE)	?	18,3%

**I.**

<b>Additional information:</b>	<b>2014</b>	<b>2013</b>
Market price of Vijay Ltd shares on JSE	1 032 cents	1 060 cents
Interest rate on alternative investments	9%	9%

**QUESTION 4: FIXED ASSETS, CASH FLOW STATEMENT: INTERPRETATION  
AND CORPORATE GOVERNANCE (75 marks; 45 minutes)**

You are provided with information relating to Meteor Supermarkets Limited, a public company. The financial year-end is 28 February 2014.

**REQUIRED:****4.1 Refer to Information E:**

Calculate the missing amounts (indicated by **a**, **b** and **c**) in the Fixed/Tangible Asset Note for the year ended 28 February 2014. (12)

4.2 Complete the Cash Flow Statement for the year ended 28 February 2014. Some of the details and figures have been entered in the ANSWER BOOK. Show workings in brackets. (31)

4.3 At the AGM, a shareholder stated that the Cash Flow Statement reflects poor decisions by the directors.  
  
Explain TWO points, with relevant figures, to support his opinion. (4)

4.4 Calculate the following financial indicators for the financial year ended 28 February 2014:

4.4.1 Net asset value per share (3)

4.4.2 Debt-equity ratio (3)

4.5 Comment on the liquidity position of the company. Quote THREE relevant financial indicators (actual figures/ratios/percentages) and their trends. (9)

4.6 The directors decided to increase the loan during the current financial year. Quote TWO financial indicators (actual figures/ratios/percentages) that are relevant to their decision. Explain why this was a good decision, or not. (8)

4.7 The Bakker family owns 740 000 shares in this company. Explain the effect that the repurchase of shares on 31 December 2013 had on their control of the company. Give a calculation(s) to support your answer. (5)

**INFORMATION:****A. Extract from the Income Statement for the year ended 28 February 2014:**

Interest on loan (all capitalised)	88 500
Net profit before tax	1 575 000
Income tax	441 000

**B. Extract from the Balance Sheet as at:**

	28 Feb. 2014	28 Feb. 2013
<b>Current assets</b>	<b>3 337 300</b>	<b>4 641 000</b>
Inventories	818 200	641 000
Trade debtors	2 377 600	1 512 000
SARS: Income tax	128 000	-
Cash and cash equivalents	13 500	2 488 000
<b>Shareholders' equity</b>	<b>8 839 000</b>	<b>7 400 000</b>
Ordinary share capital	8 700 000	6 600 000
Retained income	139 000	800 000
<b>Mortgage loan: Excel Bank</b> (interest rate: 12,5% p.a.)	<b>908 000</b>	<b>508 000</b>
<b>Current liabilities</b>	<b>2 063 700</b>	<b>1 302 000</b>
Trade creditors	678 700	700 000
Shareholders for dividends	870 000	480 000
Bank overdraft	515 000	-
SARS: Income tax	-	122 000

**C. Shareholders' register:**

DATE	DETAILS
1 March 2013	1 200 000 shares in issue
31 March 2013	300 000 shares issued at R8 each
31 December 2013	The company bought back 50 000 shares from a dissatisfied shareholder, S Smit, at R9,50 each. The average price of all shares issued to date was R6 per share.
28 February 2014	1 450 000 shares in issue

**D. Dividends for the financial year ending 28 February 2014:**

Interim dividends paid on 31 August 2013	R750 000
Final dividends declared on 28 February 2014	R870 000

**E. Fixed/Tangible assets:**

	LAND AND BUILDINGS	VEHICLES
<b>Carrying value at the beginning of the financial year</b>	<b>2 689 000</b>	<b>1 880 000</b>
Cost	2 689 000	3 250 000
Accumulated depreciation	-	(1 370 000)
<b>Movements</b>		
Additions at cost	<b>a</b>	330 000
Disposals at carrying value	-	<b>b</b>
Depreciation	-	<b>c</b>
<b>Carrying value at the end of the financial year</b>	<b>6 740 000</b>	
Cost	6 740 000	3 440 000
Accumulated depreciation	-	

**Additional information in respect of fixed/tangible assets:**

- (i) A vehicle was sold for cash at its carrying value on 31 May 2013. The following extract of the vehicle sold was taken from the Fixed Assets Register:

Cost price: R140 000		Date purchased: 1 March 2012
Rate of depreciation: 20% p.a. on the diminishing-balance method		
FINANCIAL YEAR END	DEPRECIATION	ACCUMULATED DEPRECIATION
28 February 2013	28 000	28 000
31 May 2013	5 600	33 600

- (ii) A new vehicle, costing R330 000, was purchased and paid for by cheque on 1 January 2014.
- (iii) Vehicles are depreciated at 20% p.a. on the diminishing balance method.
- (iv) New premises (land and buildings) were acquired during the financial year.

**F. Financial indicators:**

	28 Feb. 2014	28 Feb. 2013
Debt-equity ratio	?	0,1 : 1
Net asset value per share (NAV)	?	617 cents
Current ratio	1,6 : 1	3,6 : 1
Acid-test ratio	1,2 : 1	3,1 : 1
Stock turnover rate	6,8 times p.a.	5,1 times p.a.
Debtors' collection period	40 days	35 days
% return on average capital employed	18,8%	16,4%

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**QUESTION 5: CASH BUDGET AND INTERNAL CONTROL (40 marks; 25 minutes)**

You are provided with information relating to Martin's Health Shop. The business sells a health drink which has a shelf life of two months. The financial year of the business ends on 30 September 2014. The newly appointed bookkeeper prepared a budget for the three months ended 31 December 2014. The Cash Budget he presented is not completely correct.

**REQUIRED:****5.1 Refer to Information C:**

List FOUR items that should not have been placed in this Cash Budget. (4)

5.2 Complete the Creditors' Payment Schedule for the period October to December 2014 by calculating the amounts indicated by an asterisk (\*). (9)

5.3 With reference to the prepared budget, calculate the following:

5.3.1 The total sales for September 2014 (3)

5.3.2 The percentage increase in rent income in December 2014 (3)

5.3.3 The salaries and wages amount for December 2014 (3)

5.3.4 The rate of interest on the loan (4)

5.4 Answer the following questions.

5.4.1 Calculate the period for which enough stock is on hand (in days) on 30 September 2014. Explain whether this is appropriate for the business. (6)

5.4.2 Calculate the mark-up percentage achieved for the year ended 30 September 2014. (4)

5.4.3 Comment on whether or not the change in the mark-up percentage has benefited the business. Give a calculation(s) to support your opinion. (4)

**INFORMATION:**

**A.** Figures extracted from the financial statements on 30 September 2013 and 2014:

	2014	2013
Sales	1 780 600	1 680 000
Cost of sales	1 228 000	?
Mark-up %	?	60%

**B.** It is business policy to maintain a stock base of R250 000 every month. Stock sold each month is replaced in the same month.

**C. CASH BUDGET PREPARED BY THE BOOKKEEPER FOR THE PERIOD ENDED 31 DECEMBER 2014:**

<b>CASH RECEIPTS</b>	<b>OCTOBER</b>	<b>NOVEMBER</b>	<b>DECEMBER</b>
Cash sales	238 000	212 500	221 000
Receipts from debtors	40 500	42 000	37 500
Loan: Mali Bank	-	-	150 000
Discount received	1 350	1 400	1 400
Rent income	8 000	8 000	9 000
	<b>287 850</b>	<b>263 900</b>	<b>418 900</b>
<b>CASH PAYMENTS</b>			
Total cost of sales	185 000	170 000	175 000
Cash purchases of trading stock	111 000	102 000	105 000
Bad debts	400	400	400
Salaries and wages	46 000	46 000	<b>5.3.3</b>
Interest on loan	-	-	1 125
Depreciation on equipment	8 200	8 200	8 200
Sundry cash expenses	18 000	18 900	<b>?</b>
	<b>368 600</b>	<b>345 500</b>	<b>358 500</b>
Cash surplus/deficit	(80 750)	(81 600)	60 400
Bank (opening balance)	45 000	(35 750)	(117 350)
Bank (closing balance)	(35 750)	(117 350)	(56 950)

- D.** Credit sales amounts to 15% of total sales. Debtors are expected to pay in full in the month following the month of sales.
- E.** 40% of all the trading stock was purchased on credit.
- F.** Creditors allow 60 days credit, but payments made within the month of purchase receive 5% discount. Based on past experience, the business pays as follows:
- 10% within the month of purchase
  - 75% in the month following the month of purchase
  - 15% in the second month following the month of purchase
- G.** The loan will be received on 1 December 2014.
- H.** The union negotiated an 8,5% increase in salaries and wages. This will only be effective from 1 December 2014.

**QUESTION 6: MANUFACTURING****(55 marks; 30 minutes)****6.1 BRIAN'S BRELLIES**

Brian Jonas is the owner of Brian's Brellies, a business that manufactures umbrellas. The financial year ends on 31 July 2014.

**REQUIRED:**

- 6.1.1 **Refer to Information C:** Calculate the direct labour cost. (5)
- 6.1.2 **Refer to Information D:** Prepare the correct note for factory overhead cost. (19)
- 6.1.3 Prepare the Production Cost Statement for the year ended 31 July 2014. (10)

**INFORMATION:**

<b>A. STOCK BALANCES</b>	<b>31 JULY 2014</b>	<b>1 AUGUST 2013</b>
Raw material stock	R124 400	R98 780
Work-in-process stock	R42 600	R37 600
Indirect material	R3 600	R4 400

- B. Raw material issued to the factory for production: R623 700
- C. Three workers are employed in production. They each work 1 920 hours normal time per year at R95 per hour. In December 2013, each factory worker received a bonus of 12% of his annual earnings.
- D. The bookkeeper presented the following factory overhead cost calculation:

Sundry factory expenses	30 975
Indirect material	52 200
Rent expense	117 000
Advertising	10 500
Insurance	16 640
Salary of factory foreman	97 150
Water and electricity	20 010
<b>TOTAL</b>	<b>344 475</b>

The following errors were noticed:

- Stocks of factory indirect materials were not taken into account in calculating indirect materials used.
- The amount for rent expense is the total amount paid. Rent should be split between the factory, sales and administration sections in the ratio of 5 : 2 : 1.
- The amount for insurance is the total amount paid. This includes the August 2014 premium. Only 75% of this expense relates to the factory. There was no increase in monthly premiums.
- The factory foreman was on paid leave in July 2014. His salary for July 2014 was not processed. The factory foreman received a R900 monthly increase in his salary with effect from 1 June 2014.
- 60% of the water and electricity cost was allocated to the factory whereas it should have been 80%.

## 6.2 BEN'S CATERING

Ben Khulamo owns a small business that produces pies and doughnuts which he supplies to local school tuck shops.

Where comments/explanations are required below, quote figures, unit costs or financial indicators to support your opinions.

### REQUIRED:

- 6.2.1 Identify ONE unit cost for doughnuts and TWO unit costs for pies that were major problems in 2014, considering that the inflation rate was 5%. For each unit cost identified, give a possible cause of the problem and give advice on how to rectify it. (12)
- 6.2.2 Ben feels that he can produce and sell more doughnuts. Calculate the number of extra doughnuts he must produce and sell to make an additional profit of R15 000. Assume that the unit costs and selling price for 2014 remain unchanged. (4)
- 6.2.3 Ben is concerned about the financial performance of his business and the fact that a new competitor has opened in the area. (5)
- Name the product which has been negatively affected by the new competitor.
  - Comment on how this would have affected the net profit on this product.

INFORMATION	DOUGHNUTS		PIES	
	2014	2013	2014	2013
Total units produced & sold	55 000 units	51 000 units	35 000 units	44 000 units
Break-even point (units)	21 667 units	24 074 units	38 095 units	18 519 units
Ben's selling price per unit	R8,00	R7,00	R12,50	R12,00
Selling price of competitor	R8,60	-	R12,50	-
<b>VARIABLE COSTS PER UNIT</b>	<b>R5,00</b>	<b>R4,30</b>	<b>R8,30</b>	<b>R5,85</b>
Direct material cost per unit	R1,95	R2,05	R5,05	R2,20
Direct labour cost per unit	R1,90	R1,55	R2,20	R2,60
Selling & distribution cost per unit	R1,15	R0,70	R1,05	R1,05
<b>FIXED COSTS PER UNIT</b>	<b>R1,18</b>	<b>R1,27</b>	<b>R4,57</b>	<b>R3,64</b>
Factory overhead cost per unit	R0,67	R0,78	R3,38	R2,50
Administration cost per unit	R0,51	R0,49	R1,19	R1,14



# basic education

Department:  
Basic Education  
**REPUBLIC OF SOUTH AFRICA**

## **NATIONAL SENIOR CERTIFICATE**

**GRADE 12**

**ACCOUNTING**

**NOVEMBER 2014**

**MEMORANDUM**

**MARKS: 300**

### **MARKING PRINCIPLES:**

1. Penalties for foreign items are applied only if the candidate is not losing marks elsewhere in the question for that item (no penalty for misplaced item). No double penalty applied.
2. Penalties for placement or poor presentation (e.g. details) are applied only if the candidate is earning marks on the figures for that item.
3. Full marks for correct answer. If answer incorrect, mark the workings provided.
4. If a pre-adjustment figure is shown as a final figure, allocate the part-mark for the working for that figure (not the method mark for the answer).
5. Unless otherwise indicated, the positive or negative effect of any figure must be considered to award the mark. If no + or – sign or bracket is provided, assume that the figure is positive.
6. Where indicated, part-marks may be awarded to differentiate between differing qualities of answers from candidates.
7. This memorandum is not for public distribution, as certain items might imply incorrect treatment. The adjustments made are due to nuances in certain questions.
8. Where penalties are applied, the marks for that section of the question cannot be a final negative.
9. Where method marks are awarded for operation, the marker must inspect the reasonableness of the answer before awarding the mark.
10. In awarding method marks, ensure that candidates do not get full marks for any item that is incorrect at least in part.
11. Be aware of candidates who provide valid alternatives beyond the marking guideline.
12. Codes: f = foreign item; p = placement/presentation.

**This memorandum consists of 19 pages.**

**QUESTION 1**

1.1

1.1.1	Value-added tax	✓
1.1.2	0% Zero-rated	✓
1.1.3	First In First Out	✓
1.1.4	Perpetual/Continuous	✓

4

1.2

**Calculate the final amount payable to SARS on 31 July 2014.**

Mark one line only – choose method to benefit candidate any one part correct

$- 11\ 200 \checkmark + 126\ 000 \checkmark - 77\ 000 \checkmark + 273 \checkmark - 6\ 692 \checkmark \checkmark - 1\ 330 \checkmark \checkmark = 30\ 051 \checkmark$

OR

$11\ 200 \checkmark - 126\ 000 \checkmark + 77\ 000 \checkmark - 273 \checkmark + 6\ 692 \checkmark \checkmark + 1\ 330 \checkmark \checkmark = -30\ 051 \checkmark$

Mark one account only – choose account to benefit candidate

<b>VAT Control</b>	
(could be Input & Output)	
✓ 11 200	✓ 126 000
*✓ 77 000	✓ 273
✓✓ 6 692	
*✓✓ 1 330	
☑ 30 051	any one part correct

Accept negative figures or brackets on opposite sides

$77\ 000 + 1\ 330 = 78\ 330$  3 marks

$77\ 000 - 273 = 76\ 727$  2 marks

$77\ 000 + 1\ 330 - 273 = 78\ 057$  4 marks

$126\ 000 - 6\ 692 = 119\ 308$  3 marks

9

1.3

**1.3.1 Calculate the total amount paid for carriage on the purchases on 11 June 2014.**

$(1\ 600 \times 215)$  2 marks

$R352\ 600 \checkmark - 344\ 000 \checkmark \checkmark = 8\ 600 \checkmark$  operation any one part correct

4

**1.3.2 Calculate the value of the closing stock on 30 June 2014 using the weighted-average method.**

$769\ 650$  (2 marks)

$(352\ 600 + 290\ 400 + 127\ 850)$  1 mark

$77\ 900 \checkmark + 770\ 850 \checkmark - 1\ 200 \checkmark \times 580 \checkmark$

$410 \checkmark + 3\ 280 \checkmark - 5 \checkmark$

$3\ 690$  or  $3\ 275$  (2 marks)

$(1\ 600 + 1\ 210 + 470)$  1 mark

$847\ 550$  3 marks  $\times 580$  1 mark

$3\ 685$  3 marks

$= R133\ 400 \checkmark$  operation any one part correct

8

**1.3.3 Explain the effect that this will have on the gross profit.**

Gross profit will increase ✓✓ (by R20 850)

**ONE valid reason for changing the stock valuation method:**

✓✓ Award part-marks for partial answers

- FIFO is a more suitable or accurate or realistic method of valuing stock of blazers.
- Blazers are discrete units where cost is easily identified.
- FIFO is more suitable or accurate or realistic because stock is valued at the most current / changing prices.

**ONE valid reason against changing the stock valuation method:**

✓✓ Award part-marks for partial answers

- It is unethical / fraudulent / wrong / to manipulate financial records.
- Will lead to an increase in tax.
- Inconsistency / It is important that financial records are consistent from one year to the next (comparability).
- Over a period of time there is no difference in the total gross profit earned.

6

**1.3.4 Harry is concerned about the control of his stock of blazers. He has sold 2 900 blazers during the year. Give a calculation to support his concern.**

Be alert to other methods e.g. solve for x

Mark one line only – choose method to benefit candidate

✓ ✓ ✓  operation any one part correct

$$(410 + 3\,280 - 5) - 580 - 2\,900 = 205$$

3 685 1 mark 3 105 2 marks

**OR**

$$(-410 - 3\,280 + 5) + 580 + 2\,900 = -205$$

4

<b>TOTAL MARKS</b>
<b>35</b>

**QUESTION 2**

**2.1 The bookkeeper, Litzie, says it is not necessary for her to prepare a Creditors' Reconciliation Statement because the creditors send monthly statements to the business anyway. What would you say to her? State TWO points.**

Any TWO valid points ✓✓ ✓✓ **Must be 2 separate points;**  
**Award part-marks for incomplete answers**

Expected responses:

- The statement could contain errors.
- This is an internal control measure.
- This will lead to detection of errors/omissions/fraud.
- To compare/check/reconcile the account to the statement.
- To ensure VAT return is correct / to assist in doing the VAT return.

4
---

**2.2**

No.	Creditors' Ledger of KZ Stores	Statement of account received from Valley Ltd
Balance	112 820	182 150
A	- 9 000	- 9 000
B	✓✓ + 87 500	
C		✓✓ + 7 200
D		✓✓ - 1 400
E		✓✓ - 630
F	✓✓ + 2 100	
G	✓ - 5 250 ✓ - 5 250 - 10 500 (2 marks)	
H		✓✓ + 4 600
	182 920 ✓*	182 920 ✓*

16
----

\* Any ONE part correct; check reasonableness & including opening figures;  
Totals do not have to agree

Sign and amount must be correct to award marks;

If no sign, assume positive

Accept brackets as a negative figure

Foreign / superfluous entries -1 each line; cannot be less than 0 per line



**2.3 2.3.1 Explain what action should be taken against J van Wyk. State TWO points.**

Any two valid points ✓✓ ✓✓ **Must be 2 separate points; Cannot conflict with each other  
Award part-marks for incomplete answers**

- Must be subjected to a disciplinary hearing
- Open a criminal case at SAPS
- Redeploy pending decision / suspend pending decision (on outcome of the hearing/case)
- Require employee to refund/repay employer for the costs/deduct from salary/take legal action for repayment
- Dismiss him as this is gross misconduct

**Do not accept warning as a valid point for 2 marks unless candidate also mentions repayment as a point – in context of R37 500 fraud, warning alone is not sufficient**

<b>4</b>

**2.3.2 What must the business do to prevent a similar incident in future? Explain THREE points.**

Any THREE valid points ✓✓ ✓✓ ✓✓ **Must be 3 separate points;**

For 2 marks:

- Division of duties so that each person serves as a check on another / get someone else to authorise these transactions.
- Rotate duties so that employees do not have permanent control over an aspect of the business.
- Conduct internal audits / check documents to detect the fraud and errors.
- Physical stock control (to records) / check stock on hand to stock records.
- When goods are received, the receiving officer must check the stock received to the invoice and order form.
- Inform suppliers of the procedure for delivering goods to the business and do not deviate from this.

<b>6</b>

<b>TOTAL MARKS</b>
<b>30</b>

**QUESTION 3****3.1 3.1.1 SHARE CAPITAL****AUTHORISED SHARE CAPITAL**

**750 000 ordinary shares**

**ISSUED SHARE CAPITAL**

450 000 ✓	<b>Ordinary shares in issue on 1 March 2013</b>	3 215 000 ✓	
<b>80 000</b>	<b>Ordinary shares issued during the year</b>	760 000 ✓✓	
<b>(75 000)</b>	<b>Ordinary shares re-purchased (average price of R7,50✓)</b>	operation (562 500) ✓✓	
5 000 more than opening figure 455 000 ✓	<b>Ordinary shares in issue on 28 February 2014</b>	Operation; one part correct OR shares x avg price used 3 412 500 ✓	<b>9</b>

**3.1.2 RETAINED INCOME**

<b>Balance on 1 March 2013</b>	<b>322 500</b>	
Net profit after tax	812 700 ✓✓	
Shares repurchased 75 000✓ x 2,90✓ if R10,40-avg price above; must be at ≥R0,01 per share	operation one part correct and in brackets (217 500) ✓ 217 500 2 marks Zero 0 marks	
<b>Ordinary share dividends</b> operation one part correct and in brackets	(482 000) ✓	
Interim dividends / Paid	270 000 ✓	
Final dividends / Declared 530 000✓ see 3.1.1 x 40 cents ✓	one part correct 212 000 ✓	
<b>Balance on 28 February 2014</b> operation	435 700 ✓	<b>11</b>

Foreign entries -1 (-2 max)

**3.2 VIJAY LIMITED**  
**BALANCE SHEET (STATEMENT OF FINANCIAL POSITION) ON**  
**28 FEBRUARY 2014**

<b>ASSETS</b>			
<b>Non-current assets</b>	operation (total assets – current assets)	3 884 000	✓ 2
Fixed assets	operation	3 234 000	✓
<b>Financial asset: Fixed deposit</b>		<b>650 000</b>	
<b>Current assets</b>			
Inventories	operation	863 100	✓ 5
<b>Trade and other receivables</b> (243 500 ✓ + 7 600 ✓)		<b>251 100</b>	✓
<b>Cash and cash equivalents</b>		<b>336 600</b>	
<b>TOTAL ASSETS</b>	transfer total equities and liabilities	<b>4 747 100</b>	✓
<b>EQUITY AND LIABILITIES</b>			
<b>Shareholders' equity</b>			
Ordinary share capital	operation see 3.1.1	3 412 500	✓ 3
Retained income	see 3.1.2	435 700	✓
<b>Non-current liabilities</b>			
Loan : William Bank (482 600 ✓ + 81 400 ✓ – 112 800 ✓) OR (482 600 + 81 400) x 80%	one part correct	451 200	✓ 4
<b>Current liabilities</b>			
Trade and other payables (62 460 ✓ + 12 120 ✓)	operation one part correct	447 700	✓ 12
Shareholders for dividends	OR 482 000 #	74 580	✓
SARS : Income Tax (348 300 ✓ – 299 980 ✓ must be deducted under CL)	Refer 3.1.2	212 000	✓✓
Current portion of loan check that loan has been reduced by this		48 320	✓
		112 800	✓✓
<b>TOTAL EQUITY AND LIABILITIES</b>	operation	<b>4 747 100</b>	✓

26

Foreign entries -1 (max -2)

Presentation / Placement / Incorrect or incomplete details -1 (max -2)

**3.3 Calculate the return on average shareholders' equity for 2014.**

$$\frac{812\,700 \checkmark \text{ see 3.1.2}}{\frac{1}{2} \checkmark (3\,537\,500 \checkmark + 3\,848\,200 \checkmark) \text{ see 3.2}} \times 100 = 22,0\% \checkmark \text{ operation, \%, one part correct}$$

3 692 850 3 marks

5

**3.4 From 2013 to 2014 the directors made a deliberate decision to change the policy on the distribution of profits in the form of dividends. Comment on this change. Quote financial indicators or figures to support your answer.**

They paid out 100% (all)  $\checkmark$  of their earnings in 2013 compared to 59%  $\checkmark\checkmark$  of their earnings (100÷170 cents) in 2014. The business is retaining funds for future expansions / development / support equalising dividends in future / to improve NAV.  $\checkmark$

**OR**

They did not retain any earnings in 2013 (1 mark). In 2014 they retained 70 cents (41%) of EPS (2 marks). The business is retaining funds for future expansions / development / support equalising dividends in future / to improve NAV. (1 mark).

4

**3.5 Comment on whether the shareholders should be satisfied with the percentage return and the market price of their shares. Quote TWO relevant financial indicators (actual figures/ratios/percentages) and their trends. Give an additional comment in each case.**

Indicators  $\checkmark \checkmark$  Trends & figures  $\checkmark \checkmark$  Extra comment  $\checkmark \checkmark$

ROSHE (1 mark):

Increased from 18,3% to 22% (1 method mark) / by 3,7% points. (see 3.3)

This exceeds the return on alternative investments (of 9%). (1 mark)

Must mention NAV as the indicator; Allocate 1 mark for trend of either the NAV or market price

NAV (1 mark) is 846 cents

NAV increased by 60 cents (from 786c to 846c)

Market price decreased by 28 cents (from 1060c to 1032c)

The market price exceeds the NAV (1 mark) / investors are prepared to pay extra for the shares.

6

**3.6 The external auditors, Hassan and Jacob, have employed Janet to work on the audit of Vijay Ltd. Janet owns 10 000 shares in Vijay Ltd.**

**Explain why this is a problem.** ✓✓ Any one valid reason; part-marks for partial answers

- It is a conflict of interest/unethical.
- She could influence the results in a positive or negative way.
- Overlooking issues/insider information.
- She could be biased / not independent.
- Could put the validity / credibility of the audit at risk.

**Give a valid solution.** ✓✓ Any one valid reason; part-marks for partial answers

- She should sell the shares if she wants to continue working on the audit.
- She must be removed from this audit / she recuses herself from the audit / she takes on other projects within this audit firm.
- She must disclose her vested interest and ensure that her employers / review committee make a decision on her participation in the audit.

4

<b>TOTAL MARKS</b>
65

**QUESTION 4**

4.1 Calculate the missing amounts (indicated by a, b and c) in the Fixed/Tangible Asset Note for the year ended 28 February 2014.

NO.	WORKINGS	AMOUNT
a	6 740 000 – 2 689 000 no part marks	4 051 000 ✓✓
b	140 000 – 33 600 no part marks	106 400 ✓✓
c	$5\ 600 + 11\ 000 + 20\% \times (3\ 110\ 000 - 1\ 342\ 000)$ $353\ 600$ (3 marks) <b>OR:</b> 2 marks 1 mark 1 mark 1 mark 1 mark 1 mark $5\ 600 + 20\% \times [(1\ 768\ 000 \times 10/12) + (2\ 098\ 000 \times 4/12)]$ $294\ 667 + 69\ 933$	one part correct 370 200 ✓

12

4.2

<b>METEOR SUPERMARKETS LTD</b>	
<b>CASH FLOW STATEMENT FOR YEAR ENDED 28 FEBRUARY 2014</b>	
<b>Cash flow from operating activities</b>	(1 039 900) ✓ Operation#
<b>Cash generated from operations</b>	<b>969 600</b>
<b>Interest paid</b>	<b>(88 500)</b>
✓ Taxation 441 000 ✓ + 122 000 ✓ + 128 000 ✓ Details & correctly placed 563 000 (2 marks) OR -441 000 - 122 000 - 128 000	(691 000) ✓ 691 000: 3 marks Operation; one part correct & brackets
✓ Dividends 480 000 ✓ + 750 000 ✓✓ Details & correctly placed 480 000 + 1 620 000 - 870 000 OR -480 000 - 1 620 000 + 870 000 1 mark 1 mark 1 mark	(1 230 000) ✓ 1 230 000: 3marks Operation one part correct & brackets
<b>Cash flow from investing activities</b>	(4 274 600) ✓ Operation#
✓ Purchase of fixed assets 4 051 000 ✓ + 330 000 ✓ Details & correctly placed see 4.1 a	(4 381 000) ✓ 4 381 000: 2 marks Operation one part correct & brackets
✓ Proceeds from disposal of fixed assets Details & correctly placed	106 400 ✓ See 4.1b & no brackets
<b>Cash flow from financing activities</b>	2 325 000 ✓ Operation#
✓ Proceeds from the sale of shares Details & correctly placed	2 400 000 ✓ 2 400 000: 1 mark correct & no brackets
✓ Share buy-back 50 000 x R9,50 Details & correctly placed	(475 000) ✓ 475 000: 1 mark correct & brackets
✓ Change in loan Details & correctly placed	400 000 ✓ 400 000: 1 mark correct & no brackets
<b>Net change in cash and cash equivalents</b>	(2 989 500) ✓ Operation
<b>Cash and cash equivalents at beginning of year</b>	<b>2 488 000</b>
<b>Cash and cash equivalents at end of year</b>	(501 500) ✓✓*

31

\* Operation from top OR R13 500 OR (R515 000)

Valid alternative details acceptable # Operation one part correct in the sub-section (figures/details)

**4.3 At the AGM, a shareholder stated that the Cash Flow Statement reflects poor decisions by the directors. Explain TWO points, with relevant figures, to support his opinion.**

Any TWO valid answers: Explanation ✓ ✓ Figures ✓ ✓

- Dividends of R1 230 000 (see 4.2) cause a negative figure for cash retained from operating activities.
- Fixed assets bought are very high (R4 381 000) (see 4.2) which leads to a bank overdraft.
- The directors allowed a large bank overdraft of R515 000 or R501 500 to result from high payments for dividends/fixed assets.
- The buy-back of shares (R475 000) (see 4.2) reduced cash resources / reduced capital base of the company.
- The vehicle was sold at book value (R106 400) (see 4.2) and was only 1½ years old.

4

**4.4 4.4.1 Calculate the net asset value per share for 2014.**

$$\frac{8\,839\,000 \checkmark \times 100}{1\,450\,000 \checkmark \quad 1}$$

= 610 cents  one part correct; R or c or 609,6 cents or R6,10

3

**4.4.2 Calculate the debt-equity ratio for 2014.**

$$908\,000 \checkmark : 8\,839\,000 \checkmark$$

= 0,1 : 1  one part correct; must be x:1

3

**4.5 Comment on the liquidity position of the company. Quote THREE relevant financial indicators (actual figures/ratios/percentages) and their trends.**

Any THREE valid financial indicators:

Name of financial indicator ✓ ✓ ✓  
Figure and trend ✓ ✓ ✓

- Current ratio: 3,6 : 1 → 1,6 : 1 / decreased to 1,6 : 1
- Acid test ratio: 3,1 : 1 → 1,2 : 1 / decreased to 1,2 : 1
- Stock turnover rate: 5,1 → 6,8 times p.a./ increased to 6,8 times
- Debtors' collection period: 35 → 40 days / increased to 40 days

**General comment:** For 3 marks (need only mention 3 indicators):

The liquidity has generally improved. The current ratio and acid-test ratio were too high in 2013. They are now much more efficient in 2014. The stock is now being sold more quickly which will generate greater profit. However the debtors are paying slightly more slowly – this trend must be rectified next year.

✓ ✓ ✓

One valid point per indicator **OR** 3 marks for overall comment:

Excellent answer = 3 marks; Good = 2; Poor = 1; Incorrect = 0

Increases/decreases are not a comment – these are trends

Comment would be on improvement or not / efficiency

Expected responses for 1 mark each:

- The current ratio improved / was possibly too high in 2013 / cash was too high / current assets do not earn any return / they may be more efficient in 2014.
- The acid test ratio improved / is more efficient in 2014 / cash is lower
- The stock turnover rate has improved / stock increased but is being sold more quickly / assists liquidity and is appropriate for a supermarket.
- The debtors are paying more slowly / this trend must be rectified / normal credit terms 30 days.

9

**4.6 The directors decided to increase the loan during the current financial year. Quote TWO financial indicators (actual figures/ratios/percentages) that are relevant to their decision. Explain why this was a good decision, or not.**

ROTCE ✓

- This is 18,8% ✓

DEBT/EQUITY RATIO ✓

- This is 0,1 : 1 (see 4.4.2) ✓

**Explanation:** Depends on calculation above

- Positively geared as ROTCE is higher than interest rate ✓✓
- Low financial risk / Not making much use of loans (it relies more on funds from internal sources) ✓✓

8



- 4.7 **The Bakker family owns 740 000 shares in this company. Explain the effect that the repurchase of shares on 31 December 2013 had on their control of the company. Give a calculation(s) to support your answer.**

Before the repurchase the family's shareholding was:

$$\overset{\checkmark}{\frac{740\,000}{1\,500\,000}} \overset{\checkmark}{\times \frac{100}{1}} = 49,3\%$$

Both figures

After the repurchase the family's shareholding is:

$$\overset{\checkmark}{\frac{740\,000}{1\,450\,000}} \overset{\checkmark}{\times \frac{100}{1}} = 51,0\%$$

Both figures

**(Note: Shareholding increased by 1,7%; this is correct for 4 marks)**

The family is now the majority shareholder. ✓

**For 3 marks:**

They owned less than half the shares in issue before the repurchase (1 mark) but now own more than half the shares in issue (1 mark). The family is now the majority shareholder (1 mark).

**For 3 marks:**

They owned 740 000 of 1,5m shares before the repurchase (1 mark), and they owned 740 000 of 1,45m shares after the repurchase (1 mark). The family is now the majority shareholder (1 mark).

5

TOTAL MARKS
75

**QUESTION 5**

**5.1 List FOUR items that should not have been placed in this Cash Budget.**

- Discount received ✓
- Bad debts ✓
- Cost of sales ✓
- Depreciation ✓

-1 for each superfluous additional item if four marks are earned

<b>4</b>

**5.2 CREDITORS' PAYMENT SCHEDULE**

MONTH	CREDIT PURCHASES	OCTOBER	NOVEMBER	DECEMBER
August	64 000	9 600		
September	67 200	50 400	10 080	
October	74 000	7 030	55 500	✓✓ 11 100
November	68 000		6 460	✓✓ 51 000
December	70 000 ✓✓		If x 10% x 95%	✓☑ 6 650
	operation one part correct	67 030	72 040	☑ 68 750

<b>9</b>

**5.3 5.3.1 Calculate the total sales for September 2014.**

$$\frac{40\,500 \checkmark \times 100}{15 \checkmark} = 270\,000 \checkmark \text{ operation one part correct}$$

<b>3</b>

**5.3.2 Calculate the percentage increase in rent income in December 2014.**

$$\frac{1\,000 \checkmark \times 100}{8\,000 \checkmark \times 1} = 12,5\% \checkmark \text{ operation one part correct; accept 12,5}$$

<b>3</b>

**5.3.3 Calculate the salaries and wages amount for December 2014.**

$$46\,000 \checkmark \times 108,5\% \checkmark = 49\,910 \checkmark \quad \text{operation one part correct}$$

**OR**

$$46\,000 \quad + 3\,910 \quad = 49\,910$$

1 mark

1 mark

1 method mark

3

**5.3.4 Calculate the rate of interest on the loan.**

$$\frac{1\,125 \checkmark \times 100 \times 12 \checkmark}{150\,000 \checkmark} = 9\% \checkmark \quad \text{operation one part correct; accept 9}$$

$$\frac{150\,000}{1} \times \frac{\text{Rate}}{100} \times \frac{1}{12} = 1\,125 \quad \text{Rate} = 9\%$$

4

**5.4 5.4.1 Calculate the period for which enough stock is on hand (in days) on 30 September 2014.**

$$\frac{250\,000 \checkmark}{1\,228\,000 \checkmark} \times 365 \checkmark = 74,3 \text{ or } 74 \text{ days } \checkmark \quad \text{operation one part correct; accept 74,3 or 74}$$

**Explain whether this is appropriate for the business.** ✓✓

Responses will depend on answer above

Must compare period above to shelf life (unless his answer above is less than 2 months)

Any valid comment, e.g.

- (Not appropriate) – period of stock on hand exceeds the shelf life.
- (Not appropriate) – it exceeds shelf life, the business will be left with stock that cannot be sold / will have to destroyed the stock.
- (Not appropriate) – loss of profits as stock has exceeded its shelf life.

6

**5.4.2 Calculate the mark-up percentage achieved for the year ended 30 September 2014.**

$$\frac{52\,600 \text{ two marks}}{1\,228\,000 \checkmark} \times \frac{1\,780\,600 \checkmark - 1\,228\,000 \checkmark}{1} \times 100$$

$$= 45\% \checkmark \quad \text{operation one part correct, accept 45}$$

4

**5.4.3 Comment on whether or not the change in the mark-up percentage has benefited the business. Give a calculation(s) to support your opinion.**

**Answer for FOUR marks:**

This resulted in a decrease in gross profit ✓.

GP for 2013 = R1 680 000 x 60/160 = R630 000 ✓✓

GP for 2014 = R1 780 600 – R1 228 000 = R552 600 ✓

**OR**

GP decreased (1 mark) by R77 400 (3 marks)

**OR**

GP decreased (1 mark) by 12,29% (3 marks) Accept 12,3%

4

<b>TOTAL MARKS</b>
<b>40</b>

**QUESTION 6****6.1 BRIAN'S BRELLIES****6.1.1 Calculate the direct labour cost.**

Normal time:	1 920✓ x R95✓ = 182 400 x 3✓	547 200	
Bonus:	547 200 x 12% if 12% of figure above	65 664	✓
	one part correct	<u>612 864</u>	✓
	3 x (182 400 + 21 888) = 612 864		
	1 mark 2 marks 1 mark 1 mark		

5

**6.1.2 FACTORY OVERHEAD COST**

<b>Sundry factory expenses</b>	<b>30 975</b>
Indirect material (52 200 ✓ + 4 400 ✓ – 3 600 ✓)	53 000 ✓
Rent expense (117 000 x <sup>5</sup> / <sub>8</sub> )	73 125 ✓✓
Insurance (16 640 ✓ – 1 280 ✓) x 75% ✓	11 520 ✓*
Salary of factory foreman (97 150 ✓ + 8 750 ✓ + 900 ✓) 9 650: 2 marks	106 800 ✓*
Water and electricity (20 010 ✓ ÷ 60 ✓ x 80 ✓) 33 350 x 80/100	26 680 ✓*
*Cannot get full marks per line if answer is incorrect	
<b>TOTAL</b>	<b>302 100</b> ✓*

19

-1 for foreign items (advertising)

**6.1.3 PRODUCTION COST STATEMENT FOR THE YEAR ENDED 31 JULY 2014**

<b>Direct material cost</b>	<b>623 700</b>
#✓ Direct labour cost see 6.1.1	612 864 ✓
<b>Prime cost</b> operation	1 236 564 ✓
#✓ Factory overhead cost see 6.1.2	302 100 ✓
<b>Total production cost</b> operation	1 538 664 ✓
Work in process (1 August 2013)	37 600 ✓
	1 576 264
Work in process (31 July 2014)	(42 600) ✓
<b>Cost of production of finished goods</b> operation (must be subtracted)	1 533 664 ✓✓

10

# Mark awarded for placement &amp; description

6.2 BEN'S CATERING

6.2.1 Identify ONE unit cost for doughnuts and TWO unit costs for pies that were major problems in 2014, considering that the inflation rate was 5%.

Identify cost ✓ ✓ ✓ Figures ✓ ✓ ✓ Problem ✓ ✓ ✓ Valid advice ✓ ✓ ✓  
Trends not necessary

ONE unit cost for doughnuts (Quote figures.)	Problem and advice Both must be specific, not general FC & VC & general expenses
<p>Variable costs now R5,00 / R4,30 → R5,00 (16,3%)</p> <p><b>OR</b></p> <p>Direct labour cost now R1,90 / R1,55 → R1,90 (+ 23%)</p> <p><b>OR</b></p> <p>Selling &amp; distribution cost now R1,15 R0,70 → R1,15 (+ 64%)</p> <p><b>Do not accept Administration cost</b></p>	<p><b>Must mention either DLC or S&amp;DC</b></p> <p><b>Possible cause of the problem:</b> Workers are not operating efficiently/Wages increased/More overtime</p> <p><b>Advice:</b> Assess the efficiency of workers/Offer incentives/Time and motion studies/Restrict overtime/Train workers to be more efficient/Improve supervision</p> <p><b>OR</b></p> <p><b>Possible cause of the problem:</b> Salespersons not efficient/Transport costs increased/Bad debts/Theft of fuel/Increase in fuel prices</p> <p><b>Advice:</b> Offer commission on sales/Look for cheaper forms of transport/Training/ Plan trips better</p>
TWO unit costs for pies (Quote figures.)	Problem and advice Both must be specific, not general FC & VC
<p>Direct material cost now R5.05 / R2,20 → R5,05 (+ 130%)</p>	<p><b>Must cover DMC</b></p> <p><b>Possible cause of the problem:</b> Lack of expertise of workers/Poor quality raw materials/Increased raw materials cost/Theft of raw materials/Wastage</p> <p><b>Advice:</b> Investigate causes of wastage/Look for a cheaper supplier/Better quality of raw material/Better training/Improve security</p>
<p>Factory overhead cost now R3,38 R2,50 → R3,38 (+ 35%)</p> <p><b>Do not accept Administration cost</b></p>	<p><b>Must cover FOHC</b></p> <p><b>Possible cause of the problem:</b> Low production increased fixed cost per unit/Increase in certain costs, e.g. rent</p> <p><b>Advice:</b> Increase units produced to reduce unit cost/Advertise the product better/Diversify the range/Economise on expenses, e.g. rent/water/ electricity</p>

**6.2.2 Calculate the number of extra doughnuts he must produce and sell to make an additional profit of R15 000. Assume that the unit costs and selling price for 2014 remain unchanged.**

If candidates use alternative methods, search for key figures to earn marks

15 000 ✓ / 3,00 ✓✓  
= 5 000 extra units ✓  
**one part correct**

**OR**  
FC = 55 000 x R1,18  
= R64 900 1 mark  
To cover = R64 900 + **15 000**  
= R79 900 2 marks  
Units needed = R79 900 / **R3**  
= 26 633  
BEP = 21 667  
Extra needed = **4 966** 1 mark  
(difference due to rounding off)

**OR**

FC	Exis NP	Extra NP	
64 900	+ 100 100	+ 15 000	
			(R8 – R5) <b>R3,00</b> Contrib
			(2 marks)
= <b>60 000</b> to be made (1 mark)			
– 55 000 currently made			
= <b>5 000</b> units extra (1 method mark)			

**OR**  
Sales 55 000 x R8 = R440 000  
COS 55 000 x R5 = R275 000  
GP = R165 000  
Target = **R180 000** (1 mark)  
÷ Contribution **R3,00** (2 marks)  
= 60 000 units  
Making 55 000  
Additional = **5 000 units** (1 method mark)

4

**6.2.3 Name the product which has been negatively affected by the new competitor.**

Pies ✓

**Comment on how this would have affected the net profit on this product.**

- ✓✓ Sales & production decreased (44 000 → 35 000 units) / Ben has had to limit his price (to R12,50) / Reduction in price led to decrease in contribution (R6,15 → R4,20)
- ✓ Production is less than BEP
- ✓ This means that a loss will be made on the pies.

5

<b>TOTAL MARKS</b>
55

**TOTAL: 300**