MPUMALANGA DEPARTMENT OF EDUCATION

ACCOUNTING

GRADE 12

SEPTEMBER 2009

MARKS: 300 **TIME: 3 HOURS**

INSTRUCTIONS AND INFORMATION:

1. You are provided with a question paper and an answer book.
2. The paper comprises SIX compulsory questions. Answer all these questions.
3. Use the formats provided in order to reflect your answers.
4. Workings must be shown in order to achieve part-marks.
5. You must attempt to comply with the suggested time allocations.
6. Non-programmable calculators may be used.
7. You may use dark pencil or blue/black ink to answer the questions.

This question paper consists of 15 pages and an answer book.

ACCOUNTING GRADE 12
SEPTEMBER 2009
MARKS: 300 MINUTES: 180

QUESTION 1:45 marks;27 minutes	
The topic of the question is:	**The learning outcomes covered are:**
Inventories	LO 3 - Managing Resources AS 4 – Validate and calculate inventories with specific reference to the different inventory valuation methods.

QUESTION 2:55 marks;33 minutes	
The topic of the question is:	**The topic of the question is:**
2.1 Bank Reconciliation statement	LO 1 – Financial Information AS 4 – Analyse and interpret bank, debtors and creditors reconciliations.
2.2 Internal control	LO 3 - Managing Resources AS6 – Apply internal control and internal audit processes in a business environment.

QUESTION 3:35 marks; 23 minutes	
The topic of the question is:	**The learning outcomes covered are:**
Manufacturing	LO 2 – Managerial Accounting AS 2 – Prepare and analyse production cost statement.

QUESTION 4:27 marks;16 minutes	
The topic of the question is:	**The learning outcomes covered are:**
Projected Income Statement	LO 2 - Managerial Accounting AS 3 – Analyse and interpret projected income statement.

QUESTION 5:113 marks; 66 minutes	
The topic of the question is:	**The learning outcomes covered are:**
5.1 Balance sheet	LO 1 – Financial Information AS 5 – Prepare, analyse and interpret financial statements
5.2 Auditing	LO 3 - Managerial Accounting AS 6 –Apply internal control and internal audit processes in a business environment
5.3 Cash flow statement	LO 1 – Financial Information AS 5 - Prepare, analyse and interpret financial statements

QUESTION 6:25 marks;15 minutes	
The topic of the question is:	**The learning outcomes covered are:**
VAT	LO 1 – Financial Information AS 7 – Application of VAT principles

QUESTION 1 (45 Marks, 27 minutes)

INVENTORY AND PROBLEM SOLVING

1.1. Laduma stores buys soccer balls from Australia that are then sold to many retail outlets in South Africa. They make use of the FIFO (First in First Out) method to value their stock.

REQUIRED:

1.1.1 Calculate the cost of sales for the month of May 2009 using the FIFO method. (11)

1.1.2 Calculate the gross profit for the month of May 2009 (3)

1.1.3 Calculate the value of trading stock on hand on 31May 2009 (4)

1.1.4 The owner of Laduma stores is unhappy that the business has used the FIFO method of valuation and would rather have used the Weighted Average Method.

He has made the necessary calculations using the Weighted Average method as follows:

Cost of sales	R 61 565
Gross profit	R 111 985
Value of stock on hand	R 4 736

He has come to you for advice. COMMENT on the following:

1.1.4.1 The difference between the two methods will have on the financial statements (4)

1.1.4.2 The reason why the figures are different. (8)

1.1.4.3 Give him advice as to whether he should change stock valuation method or not? (5)

INFORMATION:

May 01	Stock on hand: 200 soccer balls at R150 each
May 03	Purchase of soccer balls: 100 at R150 each
May 10	Purchase of soccer balls: 90 at R160 each
	Carriage on purchases: R 1000
May 20	Purchase of soccer balls: 50 at R180 each
May 23	Return of soccer balls: 20 soccer balls bought on 3 May
May 31	Total number of soccer balls sold: 390
	Sales figure: R 173 550

1.2 PROBLEM SOLVING

CARDIES who value their stock on the FIFO (First in First Out) method have completed their annual stocktaking in order to produce the financial statements. The following figures have been given to the owner of CARDIES but he is not happy with the actual figures as per stocktaking and the figures that the trading stock records in the books show do not agree.

REQUIRED

Make a study of the figures and issue a report in which you highlight the following:

1.2.1 Areas of concern with reasons. (6)

1.2.2 Two measures that could be taken to improve the situation. (4)

ITEMS OF STOCK	NO OF ITEMS PER STOCK RECORDS IN THE BOOK	NO OF ITEMS PER STOCKTAKING(PHYSICAL STOCKTAKING)	+(SURPLUS) OR --(DEFICIT)
Badges	112	111	- 01
Cards	58	45	- 13
Trophies	62	79	+ 17
Candles	24	24	0
Photo Frames	18	118	+ 100
Porcelain Dolls	135	30	- 105

QUESTION 2 [55 Marks; 33 minutes]

2.1 BANK RECONCILIATION (46 Marks: 27 minutes)

INSTRUCTIONS

2.1.1 Use the information below to complete the Cash Receipts Journal and the Cash Payments Journal of Libangeni Traders for August 2009. Total only the bank columns in the Cash Journals. (30)
Document numbers are not required.

2.1.2 Prepare the Bank account on 31 August 2009. Balance the account. (6)

2.1.3 Prepare the Bank Reconciliation Statement on 31 August 2009. (10)

NOTE: Errors are rectified in the Cash Journals.

INFORMATION:

2.1.4 An extract from the Bank Reconciliation Statement on 31 July 2009 showed the following:

		Debits	Credits
Credit balance according to Bank Statement			3 571
Credit outstanding deposit			3 218
Debit outstanding cheques :	101	1 489	
	102	350	
	104	950	
Debit balance according to bank account		?	
		6 789	**6 789**

2.1.5 Provisional totals of the Cash Journals on 31 August 2009.

2.1.5.1 Cash Receipts Journal

- Bank R44 190
- Sundry accounts R44 190

2.1.5.2 Cash Payment journal

- Bank R42 500
- Sundry accounts R42 500

2.1.6 A comparison of the Bank Reconciliation Statement of 31 July 2009 with the Bank statement for August 2009, received from Ndebele Bank, showed the following:

2.1.6.1 The outstanding deposit of R 3 218 appeared on the Bank Statement of August 2009.

2.1.6.2 Cheque No 101 for R 1 489 was paid by the bank on 11 August 2009

2.1.6.3 Cheque No 102 for R 350 was issued to Wishart Stores for trading inventory account purchased. The cheque was lost and payment stopped. It was replaced by cheque No 135.
No entries were made. Cheque No 135 has not been presented by Wishart Stores for payment.

2.1.6.4 Cheque No 104 for R950, dated 15 September 2009, is still outstanding.

2.1.7 A comparison of the Bank Statement for August 2009 with the Cash Journals showed the following differences:

2.1.7.1 A debtor, M.Mahlangu, deposited R860 directly into the business bank account.

2.1.7.2 An unpaid cheque for R566, received from a debtor, S.Simelane, was returned by the bank marked "refer to drawer".

2.1.7.3 A stop order for R800 in favour of Alpha Insurers was for the following:

- Building and contents of the business, R650.
- Owner's private motor vehicle, R150.

2.1.7.4 The following costs were debited against the business' current account by Ndebele Bank:

• Service charges	R55
• Cash deposit fee	36
• Levies on debit transactions	11

2.1.7.5 Ndebele Bank credited the business current account with R54 interest

2.1.7.6 Cheque No 131, R 695, in favour of the City Treasurer for the electricity of the Business appeared correctly on the Bank Statement for August 2009. The cheque appeared in the Cash Payments Journal as R569. Rectify the error.

2.1.7.7 A deposit of R 4000 made on 31 August 2009, does not appear on the bank statement.

2.1.7.8 The following cheques were not presented to the bank for payment:

- No 132 for RI 639
- No 133 for RI 051

2.1.8 The bank Statement shows a favourable balance of R5000 on 31 August 2009.

2.2 INTERNAL CONTROL (9 Marks; 6 minutes)

2.2.1 Name three points why it is important for a business to prepare a BRS each month. (3)

2.2.2 Mention three other internal control measurements that a business can implement to protect its cash. (6)

QUESTION 3 [35 Marks;23 minutes]

MANUFACTURING

The following information relates to Nkomazi Padlock Manufactures. The business is owned by Nelson Mkhabela.

REQUIRED:

3.1.	Prepare a Production Cost Statement for the year ended 30 June 2009. Show ALL your workings in brackets.	(14)
3.2.	Calculate the following unit costs for 2009:	
3.2.1.	Unit cost of production	(3)
3.2.2.	Direct Material Cost per unit	(3)
3.2.3.	Direct Labour Cost per unit	(3)
3.2.4	Factory Overhead Cost per unit	(3)
3.3	Explain what is meant by by the break-even point and how this should be calculated by a manufacturing business.	(4)
3.4	Prepare a Trading Statement for the year ended 30 June 2009.	(5)

INFORMATION.

STOCK ON HAND ON 1 JULY 2008.

Raw material	R 30 000
Work-in-process	R 36 000
Finished goods	R 61 920
(7 200 Padlocks all sold in July)	

STOCK ON HAND ON 31 JUNE 2009.

Raw material	R 36 000
Work-in-process	R 24 000
Finished goods (8 000 Padlocks)	?

AMOUNTS OWING ON 1 JULY 2008.

Creditors for raw material	R 21 000
Direct wages	R 9 000
Factory overheads costs	R 5 400

AMOUNTS OWING ON 30 JUNE 2009.

Creditors for raw material	R 24 000
Direct wages	R 7 200
Factory overheads costs	R 6 000

OTHER INFORMATION:

Cost of raw materials used during the year	R 270 000
Direct wages paid during the year	R 180 000
Factory overhead costs paid during the year	R 97 200
Depreciation of plant and machinery for the year	R 18 000
Advertising costs	R 40 000
Sales of finished goods (59 200 Padlocks)	R 634 344

60 000 Padlocks were manufactured during the year

ADDITIONAL INFORMATION:

All Padlocks were sold at a constant mark up of 20% on cost during the year.

QUESTION 4 [27 marks; 16minutes]

PROJECTED INCOME STATEMENT

The owner of HILTON Dealers, Tom Hilton has been concerned about the profitability of his business. He asked his accountant to prepare a monthly income Forecast for the three months ended 30 June 2009. Tom could not get his accountant to explain the forecast as he had gone away on holiday. He asked you to explain and advise on several aspects of the income forecast.

INFORMATION

MONTHLY INCOME FORECAST FOR THE PERIOD ENDED 30 JUNE 2009

	APRIL	**MAY**	**JUNE**
Sales	45 000	49 500	48 375
Cost of sales	(25 000)	(27 500)	(26 875)
Gross profit	20 000	22 000	21 500
Other income Rent income	800	800	800
Gross operating income	20 800	22 800	22 300
Other operating expenses	(16 510)	(17 580)	(17 064)
Salaries and wages	5 000	5 500	5 500
Bad debts	410	800	0
Insurance	1 200	1 200	1 200
Depreciation	900	900	1 000
Sundry operating expenses	9 000	9 180	9 364
Operating profit	4 290	5 220	5 236
Interest income	510	524	538
Profit before interest expenses	4 800	5 744	5 744
Interest expenses	(700)	(700)	(700)
Net profit for the year	4 100	5 044	5 074

INSTRUCTIONS

4.1 Tom wants an explanation on each of the following aspects:

4.1.1	Salaries and wages - what is the percentage increase?	(2)
4.1.2	Salaries and wages - would employees and the trade union be happy with the salary increase?	(2)
4.1.3	Bad debts – why are there no bad debts in June?	(2)
4.1.4	Depreciation - why has depreciation increased in June?	(2)
4.1.5	Sundry operating expenses - by what percentage is it increasing each month?	(2)
4.1.6	Interest income - why is interest income increasing each month yet the original investment amount has not changed?	(2)

4.2 Advise on the following areas is also required of you:

4.2.1	Calculate the Mark-up percentage.	(3)
4.2.2	Give a brief explanation on whether the mark-up percentage should be increased or not?	(4)
4.2.3	The owner of the store is uncertain on whether he should keep the investment or rather cash it in to repay or reduce the amount of the loan.	(4)
4.2.4	Lease agreement (rent income) - the lease agreement expires in August 2009. Provide a short explanation on whether the lease agreement should be renewed. Tom also needs to know whether the rent amount should be increased. He has not increased the rent in past two years.	(4)

QUESTION:5 [113 Marks; 66 minutes]

5.1 BALANCE SHEET (26 marks; 16 minutes)

The following information was taken from accounting records of Laeveldbouhandelaars Limited. The company has an authorized share capital of 1 000 000 shares of R2.

You are required to:
Complete the balance sheet of Laeveldbouhandelaars LTD on 28 February 2009

Note: Show all calculations in brackets in order to earn part marks. The net profit for the year amounted to R448 500.

INFORMATION:
The following balances appeared in the General ledger of Laeveldbouhandelaars LTD on 28 February 2009.

	R
Ordinary share capital	800 000
Accumulated profits (28 February 2009)	167 920
Land and buildings	956 000
Equipment	526 000
Accumulated depreciation	157 800
Fixed deposit: Midsomer Bank	100 000
Loan from Bond Securities	120 000
Consumable stores on hand	31 710
Trading inventory	389 990
Debtors control	141 200
Creditors control	46 950
Provision for bad debts	4%
Cash float	1 000
Petty cash	500
Accrued expenses	18 210
Prepaid expenses	9 548
Income accrued	7 500
Income received in advance	20 000
Bank overdraft	83 840
SARS (income tax) Cr – 28 February 2009	3 080
Proceeds of shares issued	500 000

ADDITIONAL INFORMATION

1. Share issue

On 1 December 2008 another 200 000 shares were issued at R2.50 per share. The bookkeeper did not know how to process this transaction and so opened a new account called "proceeds of share issue" a and posted the full amount received to the credit side of this account.

2. Dividends

An interim dividend of 10c per share was declared and paid to shareholders on 31 August 2008. A final dividend of 40c per share was declared by the directors on 28 February 2009.

3. Bank statement

When the bank statement was compared to the Cash Journals, the accountant realized that cheque no 1278_was outstanding. On investigation it was found that this cheque, for R15 000_dated 13 March 2009 had been issued to Handyman CC to pay for repairs to the roof which were completed in January 2009

4. Fixed deposit

Half of the fixed deposit will mature on 1 December 2009.

5. Loan

The agreement with bond Securities states that R20 000 of The loan must be repaid each year on 1 September.

QUESTION 5.2 (19 Marks; 10 minutes)
AUDITING.

> **Audit opinion:** In our opinion, the financial statements fairly present, in all material respects, the financial position of the company and the group at 28 February 2009 and the results of their operations and cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS), and in the manner required by the Companies Act in South Africa.
>
> **OKUHLE & ASSOCIATES**
> **CHARTERED ACCOUNTANTS (SA)**
> **REGISTERED ACCOUNTANTS AND AUDITORS** **Nelspruit 30 August 2009**

5.2.1 In your opinion, should shareholders be satisfied with this audit report or not. (3)

5.2.2 Why auditors stipulate page numbers in the audit report (2)

5.2.3 In the report, auditors mention that they examined accounting principles that the company uses.
List three examples of what they might examine in this regard (6)

5.2.4 What could be the consequences for Okuhle & Associates if they did not do their job carefully? Mention three. (6)

5.2.5 What does SAICA stand for? (2)

Question 5.3 (69 marks; 40 minutes)

CASH FLOW STATEMENT

The given information was extracted from the financial statement of Arthurseat Ltd at 28 February 2009, at the end of the financial year.

REQUIRED

5.3.1. Prepare the cash flow statement for the year ended 28 February 2009 (show all notes and calculations) (51)

5.3.2 The cash flow statement indicates that directors have made certain important decisions. Mention two (4)

5.3.3 Calculate the acid test ratio for both years and comment on the liquidity position of the company. (14)

Items extracted from the income statement for the year ended 28 February 2009

Turnover	1 375 605
Depreciation on equipment	?
Income Tax	148 176
Interest on borrowed money	26 460
Net profit for the year	345 744

ARTHERSEAT LTD

Balance sheet at 28 February 2009

ASSETS	**Notes**	**2009**	**2008**
Non-current assets		**961 296**	**602 700**
Land and building at cost		696 696	399 000
Equipment at carrying value		264 600	203 700
Current assets		**276 948**	**317 100**
Inventory		145 278	221 550
Trade and other receivables		125 370	95 550
Cash and cash equivalents		6 300	-
Total assets		1 238 244	919 800

EQUITY AND LIABILITIES			
Capital and reserves		**1 026 144**	**638 400**
Ordinary share capital (R 2 par value)		840 000	630 000
Accumulated profits		186 144	8 400
	B		
Non-current liabilities		**73 500**	**134 400**
Mortgage loan		73 500	134 400
Current liabilities		**138 600**	**147 000**
Trade and other payables		138 600	123 900
Bank overdraft		-	23 100
Total equity and liabilities		**1 238 244**	**919 800**

Notes to financial statements

1. Total dividend on ordinary shares, R168 000
2. Equipment was sold at carrying value, R49 980 during the year.

   New equipment, which cost R147 000, was bought on 28 February 2009

3.

Trade and other receivables	**2009**	**2008**
Trade debtors	117 810	80 850
Accrued income	7 560	6 090
SARS (income tax)	-	8 610

4.

Trade and other payables	**2009**	**2008**
Trade creditors	59 850	70 980
Accrued expenses	11 760	8 820
SARS (income tax)	10 290	-
Shareholders for dividends	56 700	44 100

QUESTION 6 [25 MARKS;15 MINUTES]

Ermelo Stores is owned by Ms. Ditshego and is registered for VAT according to Category B, i.e. the invoice basis,on a monthly period. The business trades only with other VAT-dealers.

You are provided with the information from the Journals for August 2009.

Required:

6.1 What is value added tax and what is standard rate for VAT in South Africa. (3)

6.2 Compile the VAT Control account to calculate, the amount of VAT to be paid over to SARS in August 2009 (18)

6.3 Ms.Ditshego does not have enough money in her bank account to pay the VAT to SARS.

The bank account is presently overdrawn with R50 000.

What advice should you give to her:

- To solve the problem for this month. (2)
- Solve the problem in future. (2)

INFORMATION FROM THE JOURNALS:

Cash receipts journal	
Total of sales column	942 000
Total of debtors control	420 000
Total of sundry accounts	ZERO
Total of VAT-output column	?
Cash payment journal	
Total of trading stock column	248 000
Total of creditors control	494 000
Total of sundry accounts	580 000
Total of VAT-input column	?

Debtors journal	
Debtors control column (VAT included)	397 860
Debtors' allowances journal	
Total of VAT-output column	6 930
Creditors journal	
Total of VAT-column	58 170
Creditors' allowances journal	
Total of VAT-input column	7 210

GENERAL JOURNAL:

- The owner took stock at cost price, R9 000, for his personal use. The VAT on these goods is R1 200.
- A debtor , C van Niekerk , disappeared. Her debt of R4 560 was written off as irrecoverable. All goods sold to her were subject to VAT, to the value of R560.

TOTAL **[300]**