MPUMALANGA DEPARTMENT OF EDUCATION

ACCOUNTING
REKENINGKUNDE

GRADE / GRAAD: 12

SEPTEMBER 2009

MEMORANDUM

MARKS /PUNTE: 300 **TIME / TYD: 3 HOURS**

	Question/Vraag	Marks/Punte
	TOTAL/TOTAAL	300

This memorandum consits of 17 Pages

QUESTION 1 **(45 Marks)**

1.1.1 COST OF SALES FOR MAY 2009

Opening stock	**200 X 150**	**30 000**
Purchases 3 May 100 – 20	80 X 150✓	12 000✓
Purchases 10 May	90 X 160✓	14 400✓
Purchases 20 May	50 X 180✓	9 000✓
Plus carriage on purchases		1 000✓
Less closing stock		5400✓✓
Cost of sales		61000✓✓

11

1.1.2 GROSS PROFIT FOR MAY 2009

R173 550✓– R61000 ☑= R112 550☑

3

1.1.3 VALUE OF TRADING STOCK ON 31 MAY 2009

30✓X 180✓= R5 400 ☑☑

(420- 390 sold)

4

1.1.4.1 THE EFFECT ON THE FINANCIAL STATEMENTS

Under the FIFO method the business will show a greater gross profit ✓✓and also a greater stock figure. ✓✓

(Based on learner's figures and compared to R111 985 and R4 736.)

4

1.1.4.2 THE REASON FOR THE DIFFERENCES

The price of stock purchased has increased ✓✓over the month using the FIFO method the stock on hand will be at a higher stock value and lower cost of sales. ✓✓
Under the weighted average method each time goods are purchased a new average ✓✓is worked out which has resulted in a lower per unit figure, hence a lower stock value and higher cost of sales (lower gross profit). ✓✓

(Use own opinion in determining if learner understands the difference – based on their results.)

8

1.1.4.3 ADVISE ON WHETHER TO CHANGE

Learners to give their own opinions.
Yes or No ✓
SUGGESTIONS:
It is important to be consistent and can't change from one year to another.
Differences are minimal.
Depends on whether the business wants to show higher or lower profits and / or stock values.
Insignificant over a period of time.
Ease of working out one method as against another.
ETC.

✓✓✓✓(2 X 2)

5

1.2 PROBLEM SOLVING

1.2.1 AREAS OF CONCERN

Learners to express their own opinions but need to highlight shortages ✓✓ surpluses ✓✓ but should also touch on the concept of materiality ✓✓(1 missing as against 105)

Shortages in badges cards and porcelain dolls Badges.
Is only 1 and thus it might not be financial viable to recount but definitely porcelain dolls are excessive.
Surpluses in trophies and photo frames - indicates a lack of control.

(6)

1.2.2 TWO CONTROL MEASURES TO IMPROVE THE SITUATION

Learners to express their own measures. SUGGESTIONS: Division of duties More regular stock taking Checks on ordering Slow moving stock ETC ✓✓✓✓ ***(2x2)***

(4))

10

QUESTION 2 [55 Marks]

BANK RECONCILIATION/*BANKVERSOENING*

CASH RECEIPTS JOURNAL OF LIBANGENI TRADERS-AUGUST 2009 CRJ1
KONTANTONTVANGSTE JOERNAAL VAN LIBANGENI HANDELAARS-AUGUSTUS 2009 KOJ1

Date *Datum*	**Details** *Besonderhede*	**Bank**	**Sundry Account** *Diverse Rekeninge*		
			Amount *Bedrag*	**Fol**	**Details** *Besonderhede*
31	Totals/*Totale*	✓44 190	44 190		
31	Wishart Stores/ *Wishart Winkels*	✓350	350		Trading Stock/ *Handelsvoorraad* ✓ Creditor's Control *Krediteure Kontrole*
	M.Mahlangu	✓860	860		Debtor's Control ✓ *Debiteure Kontrole*
	Ndebele Bank	✓54	54		Interest on current account/ ✓ *Rente op lopende rekening*
	City Treasurer *Stadstesourier*	✓569*	569		Electricity/ ✓* *Elektrisiteit*
		☑45 454			

(10)

***If a learner did not make a reverse entry in the Cash Receipts Journal and only recorded the difference of R126 in the Cash Payments Journal, he/she should be rewarded the 2 marks in this journal.**

CASH PAYMENTS JOURNAL OF LIBANGENI TRADERS-AUGUST 2009 CPJ1
KONTANTBETALINGSJOERNAAL VAN LIBANGENI HANDELAARS - AUGUSTUS 2009 KBJ1

Date *Datum*	Details *Besonderhede*	Bank	Sundry Account *Diverse Rekeninge*		
			Amount *Bedrag*	Fol	Details *Besonderhede*
31	Totals/*Totale*	42 500✓	42 500		
31	Wishart Stores/ *Wishart Winkels*	350✓	350✓		Trading Stock/ *Handelsvoorraad*✓ Creditor's Control *Krediteure Kontrole*
	S.Simelane	566✓	566✓		Debtor's Control/ ✓ *Debiteure Kontrole*
	Hollard Insurers *Versekeraars* (800)	650✓ 150	650✓ 150✓		Insurance/ *Versekering*✓ Drawings/✓ *Onttrekkings*
	Ndebele Bank (55+36+11)	102✓	102✓		Bank Charges/✓ *Bankkostes*
	City Treasurer/ *Stadstesourie* City Treasurer/ *Stadstesourier*	695✓ **OR** 126✓	695✓✓ 126✓✓		Electricity Municipal✓ Services/ *Elektrisiteit Munisipaliteitsdienste* Electricity Municipal✓ Services/ *Elektrisiteit Munisipaliteitsdienste*
		44 444 ☑45 013			

(20)

GENERAL LEDGER OF LIBANGENI TRADERS
ALGEMENE GROOTBOEK VAN LIBANGENI HANDELAARS

BANK							
2009 AUG.	1	Balance *Saldo*	✓4 000	2009 AUG	31	Total payments✓ *Totale Betalings*	✓44 444
	31	Total Receipts *Totale* ✓*Ontvangstes*	✓45 454			Balance *Saldo*	☑5 010
			49 454				49 454
2009 SEPT.	1	Balance *Saldo*	5 010			Credit Balance also acceptable/ *Krediet balans ook aanvaarbaar*	

(6)

- **Sundry accounts/ Miscellaneous accounts also acceptable**
- ***Diverse rekeninge ook aanvaarbaar***
- **Ignore date**
- ***Ignoreer datums***
- **Details and amounts must be combined to earn marks**
- ***Besonderhede en bedrag word gekombineer om punte te verdien***

BANK RECONCILIATION STATEMENT OF LIBANGENI TRADERS - AUGUST 2009
BANKVERSOENINGSTAAT VAN LIBANGENI HANDELAARS - AUGUSTUS 2009

	DEBIT *DEBIET*	CREDIT *KREDIET*
Balance according to Bank Statement *Kredietsaldo volgens Bankstaat*		5 000✓✓
Credit outstanding deposit *Krediteer uitstaande deposito*		4 000✓
Debit outstanding cheques *Debiteer uitstaande tjeks* 104	950✓✓	
132	1 639✓	
133	1 051✓	
135	350✓	
Debit balance according to Bank Account *Debietsaldo per Bankrekening*	5 010✓	
(Mark only figures/ *Merk slegs getalle*)	**Both/*Albei*** 9 000	**Both/*Albei*** ☑9 000

(10)

2.2 INTERNAL CONTROL (9 Marks)

2.2.1	• It cornfirms the accuracy of all transactions recorded in the Journals ✓
	• It enables the business to keep track of outstanding cheques/ outstanding deposits ✓
	• It provides accurate figures which are essential to make short and long term forecasting ✓
	• The bank balance is kept up to date✓ (MARK ANY THREE)

(3)

2.2.2	• Division of duties
	• Regular bank reconciliation should be done monthly
	• Keep cach in a safe, sothat it does not lie around
	• Only one person should be responsible for the safe keys (Any other relevant answer)

(6)

QUESTION 3 **(35 Marks)**
MANUFACTURING

PRODUCTION COST STATEMENT FOR THE YEAR ENDED 30 JUNE 2009

Direct Material Cost	**270 000**
Direct Labour Cost (180000 ✓+7200) ✓-9000 ✓)	178 200 ✓
Prime Cost	448 200 ✓
Factory overhead cost(97200+6000+18000)) -5400) ✓ ✓ ✓ ✓	115 800 ✓
Total manufacturing costs	564 000 ✓
Work-in-process on 1 July 2008	36 000 ✓
	600 000
Work-in-process on 30 June 2009	(24 000) ✓
Cost of production	576 000 ✓

(14)

	Unit cost of production 576 000 ✓ 60 000 ✓ 9,60 per unit ✓ *(3)*
3.2.2.	**Direct Material Cost per unit** 270 000 ✓ 60 000 ✓ 4,50 per unit ✓ *(3)*
3.2.3.	**Direct Labour Cost per unit** 178 200 ✓ 60 000 ✓ 2.97 per unit ✓ **(3)**
3.2.4.	**Factory overhead cost per unit** 115 800 ✓ 60 000 ✓ **(3)** 1.93 per unit ✓
3.3	**Break-even point:** The number of units produced and sold which will result in no Profit or no loss. ✓ ✓ **How this is calculated**: Fixed costs divided by the number of units produced ✓✓ **(4)**

3.4 TRADING STATEMENT FOR THE YEAR ENDED 30 JUNE 2009.

Sales ✓ ✓	634 344 ✓
Cost of finished goods (634 344x100/120)	(528 620) ✓
Gross Profit	105 724 ✓

(5)

QUESTION 4 [27 Marks]

4.1 PROJECTED INCOME STATEMENT HILTON DEALERS (12 Marks)

4.1.1 Salaries and wages - what is the percentage increase.

$\frac{500}{5000}$ x 100 = 10 % ✓✓ **2**

4.1.2 Salaries and wages - Would employees and the trade union be happy with the salary increase.

Yes - it is probably higher than the inflation rate. ✓✓ (Based on answer in (a) above

Any other suitable reason.

2

4.1.3 Bad debts - why are there no bad debts in June.

They probably stopped selling on credit. ✓✓

They have exercised better control over debtors.

Any other suitable answer.

2

4.1.4 Depreciation - why has depreciation increased in June

Additional assets may have been acquired ✓✓

Any other suitable answer.

2

4.1.5 Sundry operating expenses - by what percentage is it increasing each month.

9 180 - 9 000 = R180

$\frac{180}{9\,000}$ x 100 = 2% ✓✓ **2**

4.1.6 Interest income - why is interest income increasing each month yet the origional investment amount has not changed.

Interest earned is being capitalized. ✓✓ Interest rate may have changed. Any other suitable answer. **2**

4.2 (15 Marks)

4.2.1 Mark-up percentage

$\frac{20\,000}{25\,000} \times 100 = 80\%$ ✓✓✓ **3**

4.2.2 A brief explanation on whether the mark-up percentage should be increased or not?

Any appropriate answer. An increase in higher profits. ✓✓ An increase in mark-up results in higher prices - turnover may decrease. ✓✓ **(4)**

4.2.3 A brief explanation on whether he should keep the investment or rather cash it in to repay or reduce the amount of the loan.

Depends on the interest rate - generally interest % on loans is higher than the interest earned on investments - in which case it would make more sense to Pay off the loan. ✓✓ He should cash in the investment and pay off or reduce the loan - profits will increase. ✓✓ Any other suitable answer. **(4)**

4.2.4 Lease agreement (rent income) - the lease agreement expires in August 20.9. Provide a short explanation on whether the lease Agreement should be renewed. Tom also needs to know whether Rent amount should be increased. He has not increased the rent in Past two years.

Yes - He should renew the agreement as this is providing useful income for the business. ✓✓ He should consider increasing the rent annually (inflation linked). ✓✓ Any other suitable answer. **(4)**

QUESTION: 5 **[113 Marks]**

5.1 BALANCE SHEET **(26 Marks)**

LAEVELDBOUHANDELAARS LIMITED
BALANCE SHEET AS AT 28 FEBRUARY 2009

ASSETS	
Non-current assets	1 374 200
Tangible assets (956 000 + 52 600 – 157 800) ✓ ✓ ✓	1 324 200
Financial assets	
Fixed deposit (100 000 – 50 000) ✓ ✓	50 000
Current assets	625 800
Inventories (389 990 + 31 710) ✓ ✓	421 700
Trade and other receivables (141 200 – 5 648 + 9 548 + 7 500) ✓ ✓✓✓	152 600
Cash and cash equivalents (500 +1 000 + 50 000) ✓ ✓ ✓	51 500
TOTAL ASSETS	2 000 000
EQUITY AND LIABILITIES	
Capital and reserves	1 467 920
Ordinary share capital (800 000 + 400 000) ✓ ✓	1 200 000
Ordinary share premium	100 000 ✓
Accumulated profits	167 920
Non-current liabilities	100 000
Long from Bond Securities (120 000 – 20 000) ✓ ✓	100 000
Current liabilities	432 080
Short term potion of loan	20 000
Trade and other payables (46 950+15 000+3 080+18 210+20 000+240 000) ✓ ✓ ✓ ✓✓ ✓	343 240
Bank overdraft (83 840 – 15 000) ✓	68 840
TOTAL EQUITY AND LIABILITIES	2 000 000

5.2 AUDITING **(19 marks)**

5.2.1	**In your opinion, should shareholders be satisfied with this audit report or not.** ✓ ✓✓ Yes, they should be satisfied because it is an unqualified report.	(3)
5.2.2	**Why auditors stipulate page numbers in the audit report** To protect themselves ✓ To indicate that they are only responsible for the pages thay they have numbered. ✓	(2)
5.2.3	**List three examples of what they might examine in this regard** Depreciation methods Eg. Cost price ✓ ✓ Stock valuation methods Eg. Fifo ✓ ✓ Valuation of fixed property ✓ ✓	(6)
5.2.4	**What could be the consequences for Okuhle & Associates if they did not do their job carefully?** They may be sued by people who relied on their opinion ✓ ✓ They may not be re-appointed by shareholders again ✓ ✓ They may face disciplinary hearing from professional bodies to which they belong. ✓ ✓	(6)
5.2.5	**What does SAICA stand for ?** South African institute of Charted Accountants. ✓ ✓	(2)

5.3 CASH FLOW STATEMENT (21Marks)

ARTHERSEAT LTD/ARTHERSEAT BEPERK
5.3.1CASH FLOW STATEMENT FOR THE YEAR ENDED 28 FEBRUARY 2009
KONTANTVLOEISTAAT VIR DIE JAAR GEEINDIG 28 FEBRUARIE 2009

CASH FLOW FROM OPERATING ACTIVITIES KONTANTVLOEI UIT BEDRYFSEKTIWITEITE		275 016☑
Cash generated by operations Kontant deur bedrywighede voortgebring	1	586 152 ✓
Interest paid/Rente betaal		(26 460) ✓✓
Dividends paid/Dividende betaal	2	(155 400) ✓
Taxation paid/inkomstebelasting betaal	3	(129 276) ✓
CASH FLOWS FROM INVESTING ACTIVITIES KONTANTVLOEI UIT BELEGGINGSAKTIWITEITE		(394 716) ☑
Purchase of non-current assests/Aankoop van nie-bedryfsbat	4	(444 696) ✓
Proceeds from sale of non-current assets/Onbrengs met verkoop van nie-bedryfsbates		49 980 ✓
CASH FLOWS FROM FINANCING ACTIVITIES KONTANTVLOEI UIT FINANSIERINGSAKTIWITEITE		149 100 ☑
Proceeds from issued of shares/Opbrengs verkry van aandel uitgereik		210 000 ✓ ✓✓
Payment of capital portion of long term loans/Terugbetaling van kapitaalgedeelte van langtermynlenings		(60 900) ✓ ✓✓
NET CHANGE IN CASH AND CASH EQUIVALENTS NETTO VERANDERING IN KONTANT EN KONTANTEKWIVALENTE		29 400☑
Cash and cash equivalent : Beginning of the year Kontant en kontantekwivalente aan begin van jaar		(23 100) ✓ ✓
Cash and cash equivalents at end of year Kontant en kontantekwivalente aan einde van jaar		6 300 ✓✓

Notes to the cash flow statement/ Natos by die kontantvloeistaat/

1.Reconciliation between profit before tax and cash generated by operations / Rekonsiliasie van wins voor belasting met kontant deur bedrywighede voorgebring	
Profit before tax/ Wins voor belasting (148 176 + 345 744)	493 920 ✓✓✓✓
Adjustments i.r.o.:/ Aansuiwerings m.b.t.:	
Depreciation/ Waardevermindering	36 120 ✓✓✓
Interest paid/ Rente betaal	26 460 ✓
Operating profit before change in working capital/ Bedryfswins voor verandering in bedryfskapitaal	556 500
Change in working capital/ Verandering in bedryfskapitaal	29 652
Decrease in inventory/Afname in voorraad	76 272 ✓✓
Increase in debtors/Toename in debiteure	(38 430) ✓✓
Decrease in creditors/Afname in krediteure	(8 190) ✓✓
Cash generated by operations/Kantant deur bedrywighede voortgebring/	586 152

(14)

2. Dividends paid/ Dividende betaal	
Amount in financial statements/ Bedrag in finansiele state/	(168 000) ✓✓✓
Balance owing last day of previous year/ Saldo verskuldig laast dag van vorige jaar	(44 100) ✓✓
Balance owing last day of current year/ Saldo verskuldig laaste dag van huidige jaar	56 700 ✓✓
Amount paid/ Bedrag betaal	(155 400)

(7)

3. Taxation paid/Inkomstebelasting betaal	
Amount in Income statement/Bedrag in Inkomstestaat	(148 176) ✓ ✓
Balance owing by SARS last day of previous year/Salod verskuldig deur SAID laaste dag van vorige jaar	8 610 ✓ ✓
Balance owing last day of current year/Saldo verskuldig laaste dag van huidige jaar	10 290 ✓ ✓
Amount paid/Bedrag betaal	(129 276)

(6)

4.Non-current assets bought/Nie-bedryfsbates gekoop	
Land and buildings/Grond en geboue	(297 696) ✓ ✓
Equipment/Toerusting	(147 000) ✓ ✓
	(444 696)

(4)

Calculation/Berekening	
Equipment at carrying value / Toerusting teen drawaarde	203 700
Equipment sold at carrying value/ Toerusting verkoop teen drawaarde (2008-02 – 28)	(49 980)
Equipment bought/ Toerusting gekoop	147 000
Expected carrying value / Verwagte drawaarde (2009-2-28)	300 720
Actual carrying value / Werklike drawaarde (2009-2-28)	(264 600)
Depreciation /Waardevermindering	36 120

5.3.2 IMPORTANT DIRECTORS DECISIONS **(4 marks)**

1.	Issue of shares ✓✓
2.	Redemption of loan ✓✓

5.3.3 CALCULATION OF LIQUIDITY

Vuurproefverhouding	= (bedryfbates –voorraad) :		
Acid test ratio	= (current assets-inventory)		: Bedryfslaste/current liabilities
2009	= 131 670	: 138 600 ✓	
	= 0,95	: 1 ✓	
2008	= 95 550	: 147 000 ✓	
	= 0,65	: 1 ✓	

Algemeen aanvaarbare norm van vuurproefverhouding is 1:1 ✓*b*
Generally accepted norm for acid test ratio is 1:1 ✓
2008-verhouding kleiner as 1:1 , nl. 0,65 :1 ✓
2008-likiditeit onbevredigend kan sukkel om korttermynverpligtinge na te kom ✓
2009 verhouding effens kleiner as 1: 1, nl. 0,95 : 1 beter as 2008 verhouding/likiditeit
Het verbeter ✓

2008- ratio is smaller than 1:1, i.e 0,65 : 1. ✓
2008- liquidity unsatisfactory can have problems meeting short-term liabilities ✓
2009- ratio just smaller than 1:1, i.e 0,95 : 1 better than 2008 ratio and liquidity much better ✓

(12)

QUESTION 6 **(25 MARKS)**

VAT

6.1 VAT is a tax levied on taxable goods and services that are sold in a country. ✓ ✓ The standard rate is 14%. ✓

(3)

6.2 GENERAL LEDGER OF MENLO STORES

VAT CONTROL ACCOUNT

2008 Aug.	31	Debtors Control/ ✓ allowances	DAJ	✓ 6930	-	2008 Aug.	31	Bank ✓	CRJ	✓ 131 880	-
		Bad debts/Debtors control ✓	GJ	✓ 560	-			✓ Debtors Control	DJ	48 860 ✓	-
		Bank ✓	CPJ	✓ 115 920	-			Drawings ✓	GJ	1 200 ✓	-
		Creditors Control ✓	CJ	✓ 58 170	-			Creditors control / allowances ✓	CAJ	✓ 7 210	-
		Balance	c/d	7 570 ☑	-						
				189 150	-					189 150	-
						2008 Sept.	1	Balance	b/d	7 570 ☑	-

(18)

6.3 To solve the problem for this month.
▪ Borrow more money; increase overdraft; capital input etc. ✓ ✓
To solve the problem in future.
▪ Budget more efficiently; keep all VAT-output to clients to pay over to SARS and not spend it. ✓ ✓

(4)