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# PREPARATORY EXAMINATION

## 2024

10712

ACCOUNTING

(PAPER 2)

ACCOUNTING P2

TIME: 2 hours



MARKS: 150

10712E

15 pages + 1 formula sheet and an 11-page answer book

X05



<b>ACCOUNTING (PAPER 2)</b>	<b>10712/24</b>	<b>2</b>
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**INSTRUCTIONS AND INFORMATION**

1. Answer ALL the questions.
2. A special ANSWER BOOK is provided in which to answer ALL the questions.
3. Show ALL workings in order to earn part-marks.
4. You may use a non-programmable calculator.
5. You may use a dark pencil or blue/black ink to answer questions.
6. Where applicable, show ALL calculations to ONE decimal point.
7. You may use the Financial Indicator Formula Sheet attached at the end of this question paper.
8. Write neatly and legibly.
9. Use the information in the table below as a guide when answering the question paper. Try NOT to deviate from it.

<b>QUESTION</b>	<b>TOPIC</b>	<b>MARKS</b>	<b>MINUTES</b>
<b>1</b>	Reconciliations	40	32
<b>2</b>	Cost Accounting	35	28
<b>3</b>	Stock valuation and VAT	40	32
<b>4</b>	Budgets	35	28
<b>TOTAL</b>		<b>150</b>	<b>120</b>

**QUESTION 1: RECONCILIATIONS****(40 marks; 32 minutes)****1.1 BANK RECONCILIATION**

The information relates to Fikile Traders for August 2024. The business receives its official bank statements on the 25<sup>th</sup> day of each month.

**REQUIRED:**

- 1.1.1 Calculate the following on 31 August 2024.
- Correct totals for the Cash Journals. Use the table provided in the ANSWER BOOK (only the amounts are required). (8)
  - Bank Account balance in the General Ledger of the business. (4)
- 1.1.2 Prepare the Bank Reconciliation Statement on 31 August 2024. (6)
- 1.1.3 Provide ONE reason why the Internal Auditor should be concerned about the control of cash. Provide a solution for his concern. (2)
- 1.1.4 Mr Fikile has encouraged his customers to pay using EFT (Electronic Fund Transfer) due to continuous cash losses. Provide ONE benefit of receiving payments from customers using EFT. Provide a reason for the benefit. (2)

**INFORMATION:**

- A.** The following Bank Reconciliation Statement was prepared on 31 July 2024:

	<b>R</b>
Debit Balance as per Bank Statement	34 600
Outstanding deposit (from cash sales; dated 23 July 2024)	21 500
Outstanding EFT (no. 672)	9 870
Credit amount incorrectly debited	5 500
Credit Balance as per Bank Account	17 470

- B.** Provisional totals on 31 August 2024 before receiving the Bank Statement:
- **CRJ: R158 100**
  - **CPJ: R94 790**
- C.** **When comparing the July Reconciliation Statement to the August 2024 Bank Statement, the following was noted:**
- The outstanding EFT no. 672, and the correction of the error were correctly reflected on the August 2024 Bank Statement.
  - The outstanding deposit on 23 July 2024 appeared on the August 2024 Bank Statement, but the amount reflected correctly as R11 500. It was decided to write off the balance because the accountant revealed that she had been mugged on her way to the bank.
- D.** **The following items on the August 2024 Bank Statement did not appear in the August Cash Journals:**
- EFT payment received from Z. Behr for R1 800 in settlement of his account of R2 000.
  - Monthly debit order in favour of Assurance Ltd. for the insurance premium, R850.
  - A deposit of R11 000 appeared in the current account of Fikile Traders on 24 August 2024. The deposit has been identified as an error made by the bank. The bank has agreed to correct the error on the September Bank Statement.
  - Bank charges, R1 770
  - Interest on a credit balance, R2 160
- E.** **Items in the journals but not in the August Bank Statement:**
- EFT no. 633 (to Zwane Suppliers), R14 600
  - Cash deposit (from Masuku P), R24 620
- F.** A debit card entry on 30 August 2024 to withdraw cash for wages of R32 000 was recorded on the statement. The bookkeeper was not informed.
- G.** Credit card sales appeared correctly on the Bank Statement as R12 300, but in the CRJ as R21 300.
- H.** The August 2024 Bank Statement reflected a balance of R ?

**1.2 DEBTORS' RECONCILIATION**

The information relates to Sam's Shop for July 2024.

**REQUIRED:**

- 1.2.1 Indicate the corrections that must be made to the Debtors' Control account in the General Ledger by showing the amounts with: (+) for increase; (-) for decrease OR write 'no change'. (4)
- 1.2.2 Prepare the correct Debtors' List on 31 July 2024. Show workings with the relevant amounts in brackets to earn part-marks. (10)
- 1.2.3 Explain why the balance on the Debtors' Control Account in the General Ledger should be the same as the total of the Debtors' List. (2)
- 1.2.4 The debtor's clerk is concerned that M. Smit has not paid his account. Provide TWO internal control measures that the business can use to improve the collection of money from debtors, except the charging of interest. (2)

**INFORMATION:****A. Pre-adjustment figures on 31 July 2024**

	R
Debtors' Control Account balance	14 500
Debtors' List total from Debtors' Ledger	15 100

**B. Debtors' List on 31 July 2024**

	Debit	Credit
A.Kunene		1 000
T. Naidoo	6 200	
X. Zulu	2 300	
M. Smit	7 600	
	16 100	1 000

**C. Errors and omissions:**

- (i) The total of the Debtors' allowance Journal was overcast by R1 300.
- (ii) Interest of R250 must be charged on the overdue account of M.Smit.
- (iii) An amount of R3 200 received from T. Naidoo was correctly recorded in the Cash Receipts Journal but posted incorrectly as R2 300 to the account of T. Naidoo.

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- (iv) Merchandise bought by A. Kunene, R800, was posted to the wrong side of his account in the Debtors' Ledger.
- (v) No entry was made for a credit note issued to X. Zulu, R540.

**40**

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**QUESTION 2: COST ACCOUNTING****(35 marks; 28 minutes)****2.1 HLUBI MANUFACTURERS**

The information below relates to the financial year ended 29 February 2024.  
The business manufactures one type of hat.

**REQUIRED:**

2.1.1 Calculate the following:

- Direct labour cost (Refer to Information C) (7)
- Factory overhead costs for the year (Refer to Information D) (5)

2.1.2 Calculate the total cost of production. (5)

2.1.3 The owner is impressed that factory workers never complained about working overtime to meet targets.

- Provide TWO reasons why the factory workers choose to work overtime without any concern. (4)

**INFORMATION:****A. Stock balances:**

	<b>29 Feb. 2024</b>	<b>28 Feb. 2023</b>
	<b>R</b>	<b>R</b>
Raw material stock	745 000	2 663 000

**B.** The owner took advantage of markdown prices and decided to buy material in bulk at the end of previous financial year.

**NOTE:** No direct material was bought or returned during the year.



**C. Direct labour costs for the year:**

No. of workers	Wages	Earning per worker	
10	Basic (normal wage)	R50	2 000 hours
	Overtime	Basic rate + 80%	100 hours
<b>NOTE:</b>			
<ul style="list-style-type: none"> <li>• Deduction: 9% of basic wage</li> <li>• Employer's contribution: 12% of basic wage</li> </ul>			

**D. Factory overhead costs:**

The bookkeeper calculated factory overheads as R884 160. However, she made the following errors which must be corrected:

- The factory rent expense of R66 720 was included in the factory overheads. The amount was undercast by 20%.
- Annual factory insurance paid for the period 1 July 2023 to 30 June 2024 was recorded and allocated correctly. The monthly office insurance is R1 440. Insurance is allocated according to the ratio 3 : 1 : 1 for factory, office and sales.

**2.2 MUG 'n SIP MANUFACTURERS**

You are provided with information relating to MUG 'n SIP Manufacturers for the year ended 29 February 2024. The business produces one style of coffee mug which is popular in their town and they buy material from a local supplier.

**NOTE:** Where comments or explanations are required, you should quote figures and trends.

2.2.1 The owner wants to redeploy some of the production staff to other departments. Provide TWO suggestions why it is not a good decision. Quote figures and trends. (4)

2.2.2 The manager is concerned that factory overheads have increased the fixed costs. Explain why he should not be concerned. Provide TWO points. Quote figures and trends. (4)

2.2.3 The internal auditor has expressed his concern about variable costs. Identify ONE cost related concern by the auditor and provide a corresponding solution. Quote figures and trends. (4)

2.2.4 Calculate the % increase in the selling price of the coffee mugs. (2)

## INFORMATION:

	2024		2023	
	TOTAL (R)	UNIT COST (R)	TOTAL (R)	UNIT COST (R)
Fixed cost	1 104 000	46,00	1 069 600	56,00
Factory overheads	792 000	33,00	754 450	39,50
Administration cost	312 000	13,00	315 150	16,50
Variable cost	2 064 000	86,00	1 212 850	63,50
Direct material cost	1 243 200	51,80	588 280	30,80
Direct labour cost	441 600	18,40	334 250	17,50
Selling and Distribution cost	379 200	15,80	290 320	15,20
Selling price per unit	R146,00		R118,50	
Number of units produced and sold	24 000		19 100	
Break-even point (units)	18 400		19 448	

**QUESTION 3: STOCK VALUATION AND VAT****(40 marks; 32 minutes)**

- 3.1 Choose the correct term from those given in brackets. Write only the term next to the question numbers (3.1.1 to 3.1.3) in the ANSWER BOOK.
- 3.1.1 The (FIFO/weighted-average) method assumes that stock is sold in the order of purchase date.
- 3.1.2 Merchandise purchased is recorded in a Trading Stock Account in the (perpetual/periodic) inventory system.
- 3.1.3 The (weighted-average/specific identification) stock valuation method is best suited for unique high-value products. (3 x 1) (3)

**3.2 INVENTORY VALUATION**

You are provided with information relating to Malaza Soap Traders. He sells a single brand of face soap. The financial year ends on 29 February 2024. The periodic inventory system and weighted-average method are used to value stock.

**REQUIRED:**

- 3.2.1 Calculate the value of the closing stock on 29 February 2024. (7)
- 3.2.2 Calculate how long (in days) it will take to sell the closing stock. (3)
- 3.2.3 The owner suspects that bars of face soap are being stolen. Provide a calculation to confirm his suspicions. (4)
- 3.2.4 Peter is thinking of employing another security guard at a monthly salary of R6 200 to help to control the stock of face soap. Explain why this is NOT a good idea. Provide ONE point with figures. (3)

**INFORMATION:****A. Stock records:**

	NUMBER OF ITEMS	UNIT PRICE	TOTAL R
Stock 1 March 2023	4 800		R174 400
Stock 29 February 2024	5 650		?

**B. Carriage on purchases:**

Carriage on purchase is R200 per box of 100 bars of soap.

**C. Purchases and returns:**

	NUMBER OF ITEMS	VALUE PER ITEM (excl. carriage)	TOTAL VALUE (incl. carriage)
<b>Purchases</b>	<b>19 500</b>		<b>R956 400</b>
12 August 2023	5 300	R41	R227 900
15 October 2023	10 500	R48	R525 000
10 December 2023	3 700	R53	R203 500
<b>Returns:</b>			
15 December 2023	(100)		?

**NOTE:** The supplier has agreed to refund the transportation cost for goods returned due to defects caused by their packing staff.

**D. Sales:**

18 500 units were sold at R75 each.

**3.3 MANAGEMENT OF INVENTORIES**

The information relates to ChillWave Coolers for the financial year ended 31 July 2024. The business sells one type of cooler box in three branches. The business credit terms are 30 days.

**REQUIRED:**

Provide ONE distinct problem (with figures) relating to EACH branch, with a corresponding solution for EACH problem.

	SEDIBENG	TSHWANE	MOGALE CITY
Opening stock (units)	300	650	480
Purchases (units)	3 200	4 400	4 000
Closing stock (units)	2 900	220	2 950
Selling price per unit	R1 200	R1 200	R1 200
Drawings in units	0	15	1
Debtors collection period	25 days	30 days	40 days
Creditors payment period	40 days	45 days	31 days

(9)

**3.4 VAT**

Baya Traders is registered for VAT. The VAT rate is 15%.

**REQUIRED:**

3.4.1 Calculate the amount of VAT payable to SARS for the VAT period ended 31 July 2024. (9)

3.4.2 You are the internal auditor. The owner, Ali Baya, transferred R12 880 including VAT, using an EFT to IT Solutions for a new laptop for his child, who will be starting his tertiary studies. Ali insists that the laptop must be recorded as part of Baya Trader's equipment, and R1 680 must be recorded as a VAT input in the business' books.

Explain what you would say to Ali. Provide ONE point. (2)

**INFORMATION:**

A. Amount owed to SARS on 1 July 2024, R6 300.

B. Amounts from the July 2024 journals:

	EXCLUDING VAT	VAT AMOUNT	INCLUDING VAT
Sales returns	6 900	?	7 935
Purchase of stock		3 075	
Discount allowed	780	?	
Bad debt recovered		240	
Credit sales		?	*72 450

\* **NOTE:** This amount includes zero-rated goods that should have been sold for R5 060. The bookkeeper has incorrectly included VAT of R660 on these goods. This must be corrected.

**QUESTION 4: BUDGETS****(35 marks; 28 minutes)**

You are provided with information relating to Trident Traders. The business is owned by Billy Trident. Billy has only one driver to deliver the goods.

**REQUIRED:**

4.1 Differentiate between Cash Budget and Projected Income Statement. (2)

4.2 Complete the Debtors' Collection Schedule for March and April 2024. (7)

4.3 **Refer to Information E.**

Calculate the previous salaries of each employee before the new hire. (3)

4.4 **Refer to Information F.**

Calculate the missing amount denoted by (i) to (iii) in the Cash Budget. (10)

4.5 **Refer to Information G.**

Billy has a new competitor that started operating in January 2024. He is concerned about the declining number of customers.

- Comment on sales and provide evidence (with figures or calculations) to justify Billy's concern. (4)
  - Explain how the business can expand its reach to customers in other provinces without opening new branches. Give ONE point with a reason. (2)
- 4.6
- Billy is concerned that delivery expenses are not well controlled. Provide ONE reason to explain his concern. Quote figures. (3)
  - Billy feels that it is important to use a fleet company to deliver sold goods. Provide TWO benefits of using an external delivery company. (4)

**INFORMATION:****A. Summary of total sales:**

	ACTUAL		BUDGETED	
	January	February	March	April
Total sales	R2 985 000	R3 462 600	?	4 800 000

Cash sales are 40% of total sales.

**B. Expected debtors' collection:**

Credit sales are to be collected as follows:

- 25% in the same month of sales and they receive a 5% discount.
- 50% after 30 days (first month after sales)
- 20% after 60 days (second month after sales)
- The balance is written off after 90 days

**C. Purchases of stock and payments to creditors:**

- The business maintains a fixed based stock level.
- Credit purchases amount to 85% of all purchases.
- The mark-up on cost price is 25%.
- Creditors are paid in full one month after the date of purchase.

**D.** A part of the fixed deposit matured on 31 March 2024. The fixed deposit was invested at a rate of 6% p.a.

**E.** The business employs three workers, each earning the same salary. Billy Trident decided to employ a fourth assistant on 1 April 2024 at a salary R1 200 below that of the others.

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**F. Extract from the Cash Budget:**

	<b>MARCH 2024</b>	<b>APRIL 2024</b>
<b>RECEIPTS</b>		
Cash sales	(i)	1 920 000
Receipts from debtors	1 995 480	?
Mortgage loan from DBS Bank	975 000	0
Fixed deposit maturing (see D above)	(ii)	0
Interest on fixed deposit	3 000	2 500
<b>PAYMENTS</b>		
Cash purchases of stock	?	576 000
Payments to creditors	2 354 568	(iii)
Interest on loan	0	9 750
Salaries	?	14 800
Delivery expenses	79 200	79 200

**G. Extract from the Projected Income Statement:**

	<b>JANUARY</b>		<b>FEBRUARY</b>	
	<b>Budgeted</b>	<b>Actual</b>	<b>Budgeted</b>	<b>Actual</b>
Sales	3 000 000	2 985 000	3 960 000	3 462 600
Delivery expenses	60 000	104 475	79 200	121 191

<b>35</b>
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**TOTAL: 150**



## GRADE 12 ACCOUNTING FINANCIAL INDICATOR FORMULA SHEET

$\frac{\text{Gross profit} \times 100}{\text{Sales}} \quad 1$	$\frac{\text{Gross profit} \times 100}{\text{Cost of sales}} \quad 1$
$\frac{\text{Net profit before tax}}{\text{Sales}} \times \frac{100}{1}$	$\frac{\text{Net profit after tax}}{\text{Sales}} \times \frac{100}{1}$
$\frac{\text{Operating expenses} \times 100}{\text{Sales}} \quad 1$	$\frac{\text{Operating profit}}{\text{Sales}} \times \frac{100}{1}$
Total assets : Total liabilities	Current assets : Current liabilities
(Current assets – Inventories) : Current liabilities	Non-current liabilities : Shareholders' equity
(Trade & other receivables + Cash & cash equivalents) : Current liabilities	
$\frac{\text{Average trading stock}}{\text{Cost of sales}} \times \frac{365}{1}$ (See Note 1 below)	$\frac{\text{Cost of sales}}{\text{Average trading stock}}$
$\frac{\text{Average debtors}}{\text{Credit sales}} \times \frac{365}{1}$	$\frac{\text{Average creditors}}{\text{Cost of sales}} \times \frac{365}{1}$ (See Note 2 below)
$\frac{\text{Net income after tax}}{\text{Average shareholders' equity}} \times \frac{100}{1}$	$\frac{\text{Net income after tax}}{\text{Number of issued shares}} \times \frac{100}{1}$ (See Note 3 below)
$\frac{\text{Net income before tax} + \text{Interest on loans}}{\text{Average shareholders' equity} + \text{Average non-current liabilities}} \times \frac{100}{1}$	
$\frac{\text{Shareholders' equity}}{\text{Number of issued shares}} \times \frac{100}{1}$	$\frac{\text{Dividends for the year}}{\text{Number of issued shares}} \times \frac{100}{1}$
$\frac{\text{Interim dividends}}{\text{Number of issued shares}} \times \frac{100}{1}$	$\frac{\text{Final dividends}}{\text{Number of issued shares}} \times \frac{100}{1}$
$\frac{\text{Dividends per share}}{\text{Earnings per share}} \times \frac{100}{1}$	$\frac{\text{Dividends for the year}}{\text{Net income after tax}} \times \frac{100}{1}$
$\frac{\text{Total fixed costs}}{\text{Selling price per unit} - \text{Variable costs per unit}}$	
<p><b>NOTE:</b> 1. Trading stock at the end of a financial year may be used if required in a question.  2. Credit purchases may be used instead of cost of sales (figures will be the same if stock is constant).  3. If there is a change in the number of issued shares during a financial year, the weighted-average number of shares is used in practice.</p>	