

KZN-DEPARTMENT OF EDUCATION
GREENBURY SECONDARY SCHOOL
ACCOUNTING – GRADE 11
FINAL EXAMINATION - 2015

EXAMINER: A. RAJOO

MODERATOR: C.MAHARAJ

DURATION: 3 HOURS

MARKS: 300

INSTRUCTIONS AND INFORMATION

1. You are provided with a question paper of 15 pages and an ANSWER BOOK.
2. This paper consists of **SIX** compulsory questions.
3. Answer ALL questions.
4. Use the format provided in the answer book in order to reflect your answer.
5. Where applicable – workings must be shown in brackets in order to achieve part-marks.
6. You may black/ blue ink to answer the question.
7. Non-programmable calculators may be used.
8. You must attempt to comply with the suggested time allocation guide.

QUESTION	TOPIC	CATEGORY	MARKS	MINUTES
1.	Reconciliations	Financial accounting	40	24
2.	Partnership - Income Statement	Financial accounting	59	34
3.	Partnership – Balance Sheet and Ratio analysis	Financial accounting	65	40
4.	Manufacturing	Managerial accounting	56	34
5.	Cash Budget	Managerial accounting	49	29
6.	Periodic and Vat	Financial accounting/Managing resources	31	19
			300	180

QUESTION ONE : BANK RECONCILIATION AND CREDITORS RECONCILIATION

1.1 BANK RECONCILIATION:

(20 MARKS)

INFORMATION:

The accountant of Fashion Frenzy drew up the following Bank Reconciliation Statement at the end of June 2015, the end of the financial year.

BANK RECONCILIATION STATEMENT ON 30 JUNE 2015

Entry no		R
1.	Favourable balance as per bank statement	52 500
2.	Outstanding deposit	30 000
	Outstanding cheques	
3.	No. 632 (dated 17 December 2014 – Advertisement in Argus)	10 500
4.	No. 975 (dated 14 July 2015)	50 250
5.	No.992 (dated 4 August 2015 – payment to creditor)	44 250
6.	Credit amount wrongly debited	5 400
7.	Balance as per bank account	? / 8.

Required:

1.1.1 Choose the correct answer from the alternatives given. Write down the correct letter only. EG. 1.1.1.1 A

1.1.1.1 The information that led to the entry “1” of the Bank Reconciliation Statement is:

- A) A debit balance on the bank statement at the beginning of June 2015.
- B) A credit balance on the bank statement at the beginning of June 2015.
- C) A credit balance on the bank statement at the end of June 2015.

1.1.1.2 A possible transaction that led to the entry “2” of the Bank Reconciliation Statement is :

- A) A deposit of R 30 000 by a debtor, made directly into the bank account of the business.
- B) A refund of R 30 000 by a creditor, made directly into the bank account of the business.
- C) A deposit of R 30 000 made by the business, after the bank had already closed off its books for the month.

1.1.1.3 Entry "6" is an error made by the

- A) Business
- B) Bank
- C) both the business and bank

1.1.1.4 Refer to entry "5"

How would the accountant deal with cheque no. 992 when preparing the financial statements of the business.

- A) Subtract R 44 250 from the Bank Balance and add back R 44 250 to Trade Creditors.
- B) Add back R 44 250 to Bank Balance and subtract R 44 250 from Trade Creditors.
- C) Add back R 44250 to Bank Balance and add back R 44 250 to Trade Creditors.

1.1.1.5 Entry "3" cheque no. 632 is stale and must be cancelled in the

- A) Cash Receipts Journal
- B) Cash Payments Journal
- C) General Journal

1.1.1.6 The bank account balance labeled "8" is considered:

- A) Favourable
- B) Unfavourable
- C) Zero balance

(6 x 2 = 12)

1.2 Required:

1.2.1 Complete the correct Bank Reconciliation Statement on 30 June 2015.

(8)

1.3 CREDITORS RECONCILIATION STATEMENT :**(20 MARKS)**

You are the internal auditor of Adco Traders. During your check of the accounts in the Creditor's Ledger on 30 April 2015 you notice that the closing balance in the account of Ingram Suppliers differs from the closing balance on the monthly statement received from the creditor on 30 April 2015.

REQUIRED:

- 1.3.1 Prepare the correct account of Ingram Suppliers in the **Creditor's Ledger** on 30 April (13)
- 1.3.2 Prepare the **Creditors Reconciliation Statement** on 30 April 2015. (5)
- 1.3.3 Why is it important to prepare creditors reconciliation every month? (2)

INFORMATION:

1. Creditors ledger of Adco Traders
Ingram Suppliers (CL 4)

Date	Details	Fol	Debit	Credit	Balance
April 1	Balance	b/d			19 500
5	Inv. No. K1856	CJ		450	19 950
6	Cheque no. 1140	CPJ	5 575		14 375
	Discount	CPJ		225	14 600
15	Inv no. K1932	CJ		2 950	17 550
18	Debit note no. 320	CAJ		800	18 350
30	Electric transfer	CPJ	6 000		12 350
	Debit no. 325	CAJ	720		11 630

2. The statement of account received from Ingram Suppliers on 30 April 2015

Ingram Suppliers Statement of account					
To : Adco Traders 272 North Coast Road Durban				Date: 28 April 2015	
Date	Details		Debit	Credit	Balance
April 1	Account rendered				19 500
5	Inv. No. K1856		450		19 950
6	Receipt no. 1209			5 575	14 375
.	Discount			225	14 150
15	Inv. No. K1932		2 590		16 740
18	Credit note no. 461			800	15 940
28	Inv. No. K1960		3 140		19 080

3. Your investigation into the account and the monthly statement reveals the following errors and omissions :

3.1 The bookkeeper posted the discount of R 225 to the wrong column in Ingram Suppliers account.

3.2 Invoice no. K1932 was recorded incorrectly in the creditors journal and posted as such.

The original invoice reflected the correct amount of R 2 590.

3.3 The bookkeeper recorded Debit note no. 320 for R 800 correctly in the creditors allowances journal but posted it incorrectly to Ingram Suppliers account.

3.4 The bookkeeper omitted to record invoice no. K1960 in the relevant journal.

3.5 The electronic transfer of R 6 000 and the Debit note no. 325 for R 720 are omitted from the statement as it was prepared on 28 April 2015.

QUESTION TWO: INCOME STATEMENT

You are provided with information relating to the books of RR Traders with partners Rob and Roy.

REQUIRED:

2.1 Prepare the **Income Statement** for the year ended 28 February 2015. (53)

2.2 Prepare the **ASSET DISPOSAL** account (**Refer to information no. 2**) (6)

INFORMATION:**Pre-adjustment Trial Balance of RR Traders as at 28 February 2015**

Balance Sheet account section	Debit	Credit
Capital : Rob		1 500 0000
Capital : Roy		1 500 000
Current a/c : Rob (1 March 2014)		150 000
Current a/c : Roy (1 March 2014)		50 000
Drawings: Rob	110 000	
Drawings : Roy	100 000	
Loan : Sly Bank		360 000
Land and Buildings	5000 000	
Equipment	600 000	
Vehicles	900 000	
Accumulated depreciation on equipment (1/3/2014)		150 000
Accumulated depreciation on vehicles (1/3/2014)		250 000
Fixed deposit : Easy Bank (8% p.a)	270 000	
Trading stock	284 000	
Debtors control	180 000	
Provision for bad debts (1/3/2014)		15 000
Creditors control		320 000
Bank		370 00
Nominal Account section		
Sales		6 500 000
Cost of sales	2 263 000	
Debtors allowance	13 000	
Salaries and wages	980 000	
Bad Debts	20 000	
Rent income		288 000
Discount received		30 000
Discount allowed	17 000	
Packing material	45 000	
Insurance	98 000	
Commission income		42 000
Sundry expenses	640 000	
Interest on overdraft	28 000	
Interest on fixed deposit		18 000
	11 548 000	11 548 000

ADJUSTMENTS AND ADDITIONAL INFORMATION:

1. A credit sale of R 9 000 on 27 February 2015 was not recorded. The mark-up on the cost of goods is 50%.
2. Equipment which originally cost R 120 000 was sold on credit for R 30 000 on 1 December 2014. The accumulated depreciation on this piece of equipment was R 61 000 on 1 March 2014. Depreciation on equipment is calculated at 10% p.a. on the cost price. No entries were made for these transactions.
3. Provide for depreciation as follows:
 - * Equipment at 10 % p.a on cost
 - * Vehicles at 20% p.a on diminishing balance method.

NOTE: A new vehicle costing R 250 000 was purchased on 1 December 2014.
This has been properly recorded.

4. Write off an additional R 500 as bad debts and thereafter adjust the provision for bad debts to 5% of the good book debts.
5. Stock was destroyed by fire. The insurance company transferred R 42 000 into the business bank account. The business bears 20% of the loss.
6. According to the physical stocktaking on 28 February 2015 the following were on hand:
 - * Trading Stock R 227 500
 - * Packing material R 10 000
7. The rent income includes rent up to 30 April 2015.
NOTE: The rent was increased by 10% with effect from 1 January 2015
8. Insurance includes a premium of R 36 000 for the period 1 August 2014 to 31 July 2015.
9. Provide for outstanding interest on fixed deposit.
10. Commission income of R 15 000 is outstanding.
11. The loan statement received from Sly Bank revealed the following:

Balance on 1March 2012	500 000
Repayments for the year ending 2015	140 000
Balance on 1March 2012:	410 000
Make provision for interest on loan.	

QUESTION THREE: BALANCE SHEET AND RATIO ANALYSIS

3.1 BALANCE SHEET

(37 MARKS)

The following information relates to the books of HS Traders with partners Harry and Sally , for the financial year end 31 December 2015.

REQUIRED:

3.1.1 Prepare the **Balance Sheet as at 31 December 2015.**

(Notes are not required, show all calculations in brackets)

INFORMATION:

Extract from the accounting records of HS Traders on 31 December 2015.

Capital : Harry (31/12/2015)	175 000
Capital : Sally (31/12/2015)	212 000
Current account: Harry (31/12/2015)	24 025 (Cr)
Current account: Sally (31/12/2015)	3 175 (Dr)
Loan: Big Bank	81 000
Tangible Assets	?
Creditors control	98 400
Debtors control	10 500
Accrued income	4 140
Trading stock	84 400
Consumable stores on hand	2550
Accrued expense	5 700
Cash float	4 500
Bank overdraft	5 100
Fixed deposit: BNF Bank	102 000

Additional information:

1. A loan repayment of R 11 250 will be made in the next financial year.
2. The fixed deposit includes an amount of R 75 000 that will mature on 30 April 2016.

3.2 Analysis and Interpretation of Financial Information:

(29 marks)

REQUIRED:

Study the information extracted from the books of Happy Traders, with partners Harry and Potter, and answer the questions that follow:

INFORMATION:

1. APPROPRIATION ACCOUNT

June 30			June 30	Profit and Loss	243 000
	Salary: Harry	60 000			
	Salary: Potter	75 000			
	Interest on capital: Harry	31 500			
	Interest on capital: Potter	31 500			
	Current a/c Harry	30 000			
	Current a/c Potter	25 000			

2. The remaining profits/losses are shared in the ratio 2:1

3. Extract of other balances/information

	30 June 2015	30 June 2014
Partner's Equity	335 000	521 000
Capital: Harry	175 000	275 000
Capital: Potter	150 000	250 000
Current a/c: Harry	4 000 (Cr)	8 000 (Dr)
Current a/c: Potter	6 000 (Cr)	4 000 (Cr)
Long term loan (14%)	160 000	300 000
Current Assets (including inventory)	65 000	75 000
Current Liabilities	47 000	42 000
Trading stock	28 000	24 000
Current ratio	1,38 : 1	1,67 : 1
Acid-test ratio	?	1,18 : 1
Debt equity ratio	?	0,37 : 1
Return on total capital employed	34,3%	25%
Returned earned by Harry	?	49,65%
Returned earned by Potter	59,26%	57,31%
Stock turnover rate	5 times	8 times
Debtors collection period	45 days	34 days
Creditors payment period	50 days	60 days

Required:

- 3.2.1 Calculate the following for June 2015:
- a) **Return earned by Harry.** (3)
 - b) **Acid-test ratio** (3)
 - c) **Debt/ Equity ratio** (4)
- 3.3 Should Harry be satisfied with the return he earned for 2015?
Explain fully by quoting relevant financial indicators. (3)
- 3.4 Does the business have a liquidity problem? Quote **three** financial indicators with figures to substantiate your answer. (10)
- 3.5 The business is considering expanding the business by opening another branch.
To finance this partners are considering taking out a further loan.
Do you consider this to be a wise decision? Support your answer by referring to two financial indicators. (6)
-

QUESTION FOUR: MANUFACTURING (56 marks)

You are provided with information relating to Ship-Shape Manufacturers, specialists in manufacturing leather belts. The information was extracted from the accounting records on 31 July 2015, the end of the financial year.

REQUIRED:

Study the information given below and answer the questions that follow:

- 4.1 Calculate the amount that will be recorded as factory rent for the year.
(refer to additional info and b) (9)
- 4.2 Calculate the total factory overhead cost for the year. (8)
- 4.3 Calculate the value of raw materials purchased during the year. (16)
Hint : Prime cost = Direct material cost + Direct labour cost
- 4.4 Prepare the work-in-process account in the general ledger. (10)

INFORMATION:

Balances on 31 July	2014	2015
Raw materials stock	40 000	60 000
Work-in-process stock	190 000	70 000

ADDITIONAL INFORMATION:

- a) The total number of belts manufactured for the year was 400 000.
- b) The 640 square metre floor space of the building is divided as follows:
 - 25% of the space is used for sales and administration
 - The balance is used for the factory.
- c) The monthly rent of R 18 per square metre was increased to R 22 per square metre on 1 April 2015.
- d) Factory labour was paid at R 16 per hour for the 5 000 hours worked for the year by each of the 20 employees. this amounts to R 1 600 000.
- e) The following unit costs were per manufactured items was noted for the year:
Prime cost per unit is R 5, 80
- f) Other details for the year:
 - * Indirect materials used R 24 000
 - * Depreciation on factory plant R 37 400
 - * Factory insurance R 8 000
 - * Sundry factory expenses R195 960

ADJUSTMENTS:

- 1. Insurance includes an amount of R 1 040 for the next financial year.

4.5 COST CALCULATIONS:

You are provided with information relating to Newlands Table Manufacturers for the year ending 28 February 2015. The factory makes plastic catering tables.

REQUIRED:

- 4.5.1 Calculate the direct material cost per unit. (3)
- 4.5.2 Calculate the break-even point for the year ended 28 February 2015. (4)
- 4.5.3 Should the business be satisfied with the break-even point? Explain? (4)
- 4.5.4 The direct material cost per unit was R 152 for 2014. Explain one reason for the difference in the unit cost over the two financial years. (2)

INFORMATION:

	Total Cost	Per Unit
Direct material cost	768 960	?
Direct labour cost	224 640	R 52
Total variable cost	1 058 400	R 245
Total fixed cost	518 400	R 120
Sales	1 728 000	R 400

ADDITIONAL INFORMATION:

1. The business made and sold 4 320 tables during the year.
2. There was no work-in process at the beginning or end of the financial year.

QUESTION FIVE : CASH BUDGET (40 marks)

You are provided with information relating to Jackson Stores , with owner M. Jack .
The business uses a fixed mark-up of 80% on cost.

REQUIRED:

5.1 Prepare the debtors collection schedule for November and December 2015.

(Some figures have been inserted in the answer booklet) (8)

5.2 Complete the cash budget for the two month ending 31 December 2015. (28)

5.3 The sales assistants have called a meeting with the owner and have expressed their unhappiness with their salary increase in December (see information no. 9)

They have also threatened to go on strike.

Give **two** possible reasons why the sales assistants should be unhappy with their salary increase. (4)

INFORMATION:

1. Balances on 31 October 2015

Bank (favourable)	R 138 400
Loan: Safe Bank @ 10% p.a	R 360 000
Fixed deposit @ 6.5% p.a	R 80 000

2.

Total sales			
Actual		Budgeted	
September	R 138 400	November	R 403 200
October	R 374 400	December	R 468 000

3. Credit sales make up 40% of the sales.

4. The average collection from debtors over the past six months was as follows and is expected to continue over the budget period.

- 25 % pay in the month of sale
- 60% pay one month after the month of sale
- 10% pay two months after the month of sale
- The balance is written off after the third month

5. The business replaces stock on a monthly basis to maintain a fixed stock level of R 200 000.

6. The business buys 70% of its trading stock on credit. Creditors are paid in the following the month of purchase to obtain a 5% cash discount.

7. A loan repayment of R 24 000 is scheduled for 1 December 2015. The interest onloan is paid monthly.

8. Interest on fixed deposit is received quarterly. The interest for the last quarter 2015 is due on 31 December 2015.

9. Salaries:

9.1 The store manager earns R 20 000 per month. However from 1 December 2015 his salary will increase by 20%. He will also receive a bonus in December equivalent to his December salary.

9.2 The business employs ten sales assistants, each earning R 6 000 per month. They will receive a salary increase of 4% effective from 1 December. They do not get bonuses.

10. The owner's monthly drawings are as follows:

* Goods R 5 000

* Cash R 30 000

NOTE: The owner intends increasing his cash drawings to R 50 000 in December as he is taking his family on a holiday.

11. Equipment costing R 20 000 will be purchased for cash at the beginning of December.

12. Operating expenses are expected to increase monthly in line with the current inflation rate of 5,7%.

13. Part of the building is sublet at a monthly rental of R 5 000.

QUESTION SIX: PERIODIC INVENTORY AND VAT (31 MARKS)

The following information was taken from the books of Billberry Stores. The business is owned by W. Bill. The business uses the **periodic system of inventory**. The business uses a mark-up of 25% on cost.

REQUIRED:

6.1 Prepare the following accounts which must be properly balanced/closed off on

28 February 2015.

* Purchases account

(6)

* Trading account

(12)

6.2 Calculate the actual mark-up achieved for the current accounting period.

(3)

INFORMATION:

1. Extract of the pre-adjustment Trial Balance on 28 February 2015.

Trading stock (1 March 2014)	240 500
Creditors control	23 400
Purchases	189 000
Sales	456 750
Debtors allowance	46 850
Creditors allowance	7 740
Carriage on purchases	1 396
Custom duties	2 700

2. Additional information:

2.1. Stock with a cost price of R 640 was donated to the local school. This was not recorded.

2.2 Received an invoice from Apek Carriers on 25 February 2015 for transport of goods as follows:

➤ to our business premises R 180

2.3 Goods with a cost price of R 400 was taken by the owner for his personal use on 28 February 2015.

2.4 A credit sale for R 5 250 was not recorded.

2.5 Stock on hand as per physical stock take on 28 February 2015 was R 80 460.

6.4 VAT

(10 marks)

The following information relates to the books of Sneaky Stores, owned by Joe Sneaky.

REQUIRED:

- 6.4.1 Calculate the vat output amount. (2)
6.4.2 Calculate the vat input amount. (2)
6.4.3 Calculate the final amount payable to SARS or refundable by SARS.
State whether payable/refundable (3)
6.4.4 Answer the question based on information 2 below. (3)

INFORMATION:

1. Total Sales (inclusive of vat) – R 621 200
(included in the sales is an amount of R 74 000 zero rated items)

Total Purchases (exclusive of vat) - R 250 000
(included in the purchases is an amount of 89 000 vat exempt items)

Monthly fuel as per cash invoice R 10 500

2. The owner Joe Sneaky wants to purchase a computer priced at R 12 000.
He tells the supplier that he is prepared to pay R 10 500 cash for the computer and does not require any documentation.
Advise Joe whether he should purchase the computer in this manner.



KZN DEPARTMENT OF EDUCATION
GREENBURY SECONDARY SCHOOL
NOVEMBER EXAMINATION - 2015
ACCOUNTING – GRADE 11
SPECIAL ANSWER BOOKLET

100

300

MEMO

NAME: _____ GRADE 11: _____

QUESTION	MAX. MARK	LEARNERS MARK
1.	40	
2.	59	
3.	65	
4.	56	
5.	49	
6.	31	
TOTAL	300	

For educators use:

Moderator	
Date	
Checker	

QUESTION ONE:

1.1.1

1.1.1.1	C	✓✓
1.1.1.2	C	✓✓
1.1.1.3	B	✓✓
1.1.1.4	A	✓✓
1.1.1.5	A	✓✓
1.1.1.6	B	✓✓

12
12

1.2.1 Bank Reconciliation Statement

	Debit	Credit
✓ CR BALANCE AS PER B/S		52 500 ✓
CR OUTSTANDING DEPOSIT		30 000 ✓
DR OUTSTANDING CHEQUES		
NO. 975	50 250 ✓	
NO. 992	44 250 ✓	
CR AMOUNT WRONGLY DEBITED		5 400 ✓
CR BALANCE AS PER BANK A/c		6 600 ✓
	94 500	94 500

8
8

1.3.1

INGRAM SUPPLIERS (CL 4)

Date	Details	Debit	Credit	Balance
APRIL 30	BALANCE ^{b/d}			11 630 ✓
	DISCOUNT ALLOWED	450 //		11 180 ✓
	INV. NO. K1932	360 //		10 820 ✓
	D/N. NO. 320	1 600 //		9 220 ✓
	INV. NO. K1960		3140 //	12 360 ①

13
13

1.3.2 Creditors reconciliation Statement on 30 April 2015

	Debit	Credit
DR BALANCE AS PER STATEMENT	19 080 ✓	
CR ELECTRONIC TRANSFER		6 000 ✓
CR D/N NO. 335		720 ✓
CR BALANCE AS PER CL		12 360 ①
	19 080	19 080

5
5

1.3.3 Why is it important to prepare a creditors reconciliation every month?

✓ VERIFY AMOUNT OWING TO CREDITORS //	
✓ INTERNAL CONTROL PROCEDURE //	
✓ CHECK FOR ERRORS ETC //	ANY 1x2

2
2

QUESTION TWO:

2.1 INCOME STATEMENT

Sales (6500 000 + 9000 - 13000)	6 495 000
Cost of Sales (2263 000 + 6000)	(2 269 000)
Gross Profit	4 227 000
Operating Incomes	337 075
Rent income(288 000 - 44000)	224 000
Commission income(42 000 + 15 000)	57 000
TRADING STOCK SURPLUS (284000 - 6000 - 52500)	2 000
PROVISION FOR BAD DEBTS ADJ A/C	4 075
DISCOUNT RECEIVED	30 000
Gross Income	4 564 075
Operating Expenses	(1 965 500)
Packing material(45 000 - 10 000)	35 000
Insurance(98 000 - 15000)	83 000
DEPRECIATIONS (9000 + 48 000 + 12500 + 80 000)	1 49 500
LOSS ON SALE OF ASSET	20 000
LOSS TO FIRE	10 500
BAD DEBTS (20 000 + 500)	20 500
SALARIES	980 000
DISCOUNT ALLOWED	17 000
SUNDRY EXPENSE	640 000
Operating Profit	2 598 575
Interest Income (18 000 + 3600)	21 600
Profit before interest expense	2 620 175
Interest Expense (50 000 + 28 000)	(78 000)
Net Profit	2 542 175

50
50

2.2

ASSET DISPOSAL

DEC	1	EQUIPMENT	120 000	DEC	1	ACC. DEP. ON EQUIP	70 000
						(61 000 + 9 000)	
						DEBTORS CONTROL	30 000
						LOSS ON SALE OF ASSET	20 000
			120 000				120 000

6.
6

56

QUESTION THREE:

3.1.1 BALANCE SHEET

NON-CURRENT ASSETS (598 050 - 180 790)	417 260
TANGIBLE ASSETS (417 260 - 27 000)	390 260
FINANCIAL ASSETS	27 000
FIXED DEPOSIT: BNF BANK (102 000 - 75 000)	27 000
CURRENT ASSET	180 790
✓ INVENTORIES (84 400 + 2250)	86 650
✓ RECEIVABLES (19 500 + 4140)	14 640
✓ CASH (75 000 + 4500)	79 500
TOTAL ASSETS	598 050
EQUITY AND LIABILITIES	
PARTNERS EQUITY	407 850
CAPITAL (175 000 + 212 000)	387 000
CURRENT A/c (24 025 - 3175)	20 850
NON-CURRENT LIABILITY	69 750
LOAN: BIG BANK (81 000 - 11250)	69 750
CURRENT LIABILITY	174 450
PAYABLES (11250 + 98 400 + 5700)	115 350
BANK OVERDRAFT (5100)	5 100
TOTAL EQUITY AND LIABILITIES	598 050

37
37

3.2.2.1 Return earned by Harry:

$$\frac{60\ 000 + 31\ 500 + 30\ 000}{\frac{1}{2}(175\ 000 + 4000) + (275\ 000 - 8000)} \times \frac{100}{1}$$

$$= 54,48\%$$

3
3

3.2.2.2 Acid-test ratio

$$(65000 - 28000) : 47000$$

$$0,79 : 1$$

3

3

3.2.2.3 Debt-equity ratio

$$160\ 000 : (175000 + 150000 + 4000 + 60000)$$

$$160\ 000 : 335\ 000$$

$$0,48 : 1$$

4

4

3.3 Should Harry be satisfied with his return? Explain

YES. HIS RETURN INCREASED FROM 49,65% TO 54,48%
 HIGHER THAN ALTERNATE INVESTMENT EG.
 FIXED DEPOSIT @ 6%

3

3

3.4 Does the business have a liquidity problem? Explain.

YES. ✓ CURRENT RATIO DECREASED 1,67:1 TO 1,38:1
 ✓ ACID TEST RATIO - DECREASED 1,18:1 TO 0,79:1
 ✓ STOCK TURNOVER RATE DECREASED 8 TIMES TO 5 TIMES
 ✓ CREDITORS PAYMENT PERIOD DECREASED
 ✓ DEBTORS COLLECTION PERIOD INCREASED
 YES ✓ ANY $3 \times 3 = 9$

10

10

3.5 Should the business take an additional loan? Explain.

YES. ALTHOUGH DEBT EQUITY INCREASED SLIGHTLY, IT IS
 STILL BELOW 0,5:1. LOW RISK
 ROTCE INCREASED FROM 25% TO 34,3% - HIGHER
 THAN INTEREST RATE ON LOAN - POSITIVE GEARING

6

6

QUESTION FOUR:

4.1 FACTORY RENT

$$\begin{aligned}
 & 640 \times 75\% = 480 \text{ m}^2 \\
 & = (480 \times R18 \times 8) + (480 \times R22 \times 4) \\
 & = R69120 + R42240 \\
 & = R111360
 \end{aligned}$$

9
9

4.2 FACTORY OVERHEAD COST

RENT	111 360
INDIRECT MATERIAL	24 000
DEPRECIATION	37 400
INSURANCE (8000 - 1040)	6 960
SUNDRY EXPENSE	195 960
	375 680

8
8

4.3 Raw Materials Purchased

$$\begin{aligned}
 \text{DLCU} &= \frac{1600000}{400000} \therefore \text{RAW MATERIAL PURCHASED} \\
 &= R4 = 720000 + 60000 - 40000 \\
 \therefore \text{DMCU} &= 5,80 - R4 = R1,80 \\
 &= R1,80 \\
 \text{DMAC} &= 400000 \times 1,80 \\
 &= 720000
 \end{aligned}$$

16
16

4.4 Work-in-Process

AUG 1	BALANCE	190 000	July 31	FINISHED GOODS STOCK	2815 680
JULY 31	DIRECT MATERIALS	720 000		BALANCE	70 000
	DIRECT LABOUR	1600 000			
	FACTORY OVERHEADS	375 680			
		2885 680			2885 680
AUG 1	BALANCE	70 000			

10
10

4.5.1 Direct Material Cost per unit

$$\frac{768\ 960}{4320} = R178$$

3
3

4.5.2 Break-Even Point

$$\begin{aligned} \text{BEP} &= \frac{518\ 400}{400 - 245} \\ &= 3344,52 \\ &= 3345 \text{ UNITS} \end{aligned}$$

4
4

4.5.3 Should the business be satisfied with the BEP? Explain

YES. THE NO. OF TABLES PRODUCED AND SOLD WAS 4320. THE BEP IS 3345 WHICH MEANS THE BUSINESS IS MAKING A PROFIT ON 978 TABLES.

4
4

4.5.4 Reason for the difference in Direct Material Cost.

- ✓ INCREASE IN PRICE FROM SUPPLIER
 - ✓ WORKERS NOT TRAINED - WASTAGE
 - ✓ LACK OF INTERNAL CONTROL - THEFT
- RWY 1x2

2
2

QUESTION FIVE:

5.1 Debtors Collection Schedule

Month	Credit sale		November	December
September	144 000		14 400	
October	149 760		89 856 ✓✓	14 976 ✓✓
November	161 280		40 320 ✓✓	96 720
December	187 200			46 800
			<u>144 576</u> ✓	<u>158 562</u> ✓

8
8

5.2 CASH BUDGET

RECEIPTS	NOVEMBER	DECEMBER
Cash sales	241 920	280 800 ✓
Receipts from debtors	144 576 ✓	158 562 ✓
INTEREST ON FIXED DEPOSIT		1 300 ✓
RENT INCOME	5 000 ✓	5 000 ✓
TOTAL RECEIPTS	391 496	445 662
PAYMENTS		
Cash purchases	67 200 ✓	78 000
Payments to creditors	138 320 ✓✓	148 960 ✓✓
LOAN - REPAYMENT		24 000 ✓
INT. ON LOAN	3 000 ✓	2 800 ✓
SALARY - MANAGER	20 000 ✓	48 000 ✓
SALARY - SALES ASSISTANT	60 000 ✓	62 400 ✓✓
DRAWINGS	30 000 ✓	50 000 ✓
EQUIPMENT		20 000 ✓
Operating expenses	138 000 ✓✓	145 866
TOTAL PAYMENTS	456 520	580 026
SURPLUS/SHORTFALL	(65 024)	(134 364)
BANK (opening balance)	138 400	73 376
BANK (closing balance)	<u>73 376</u> ✓	<u>60 988</u> ✓

28
28

5.3 Reasons why sales assistants are unhappy with the increase.

✓ INCREASE BELOW INFLATION 4% - 5,7% ✓✓
✓ MANAGER GETS 20% INCREASE. ✓✓
✓ NO BONUS IN DECEMBER ✓✓

4
4

ROY 2X2

49

QUESTION SIX:

6.1

PURCHASES

FEB	28	TOTAL	1/2	189 000	FEB	28	DONATIONS	640 ✓
							DRAWINGS	400 ✓
							CREDITORS ACCOUNT	7 740 ✓
							TRADING A/C ✓	180 220 ✓
				189 000				189 000

6
6

6.2

TRADING ACCOUNT

FEB	28	OPENING STOCK	240 500 ✓	FEB	28	SALES (456 750 + 5250 = 468 500) ✓	415 150 ✓
		PURCHASES	180 220 ✓				
		CARRIAGE (1396 + 180) ✓	1 576 ✓			CLOSING STOCK	80 466 ✓
		CUSTOMS DUTY	2 700 ✓				
		PROFIT & LOSS	70 614 ✓				
			495 610				495 610

12
12

6.3 % MARK-UP ACHIEVED

$$\% \text{ MU} = \frac{70\,614}{344\,356} \times \frac{100}{1}$$

$$= 20,51\% \text{ ✓}$$

3
3

6.4 VAT

6.4.1 OUTPUT VAT

$$547\,200 \times \frac{14}{114} \checkmark$$
$$= \underline{67\,200} \checkmark$$

2

2

6.4.2 INPUT VAT

$$161\,000 \times \frac{14}{100} \checkmark$$
$$= \underline{22\,540} \checkmark$$

2

2

6.4.3 VAT PAYABLE/REFUNDABLE

$$67\,200 - 22\,540$$
$$= \underline{44\,660} \checkmark$$

PAYABLE ✓

3

3

6.4.4 Advise Joe whether he should purchase the computer in this manner.

No. ✓ TAX EVASION IS ILLEGAL ✓

✓ IF COMPUTER IS DEFECTIVE HE WON'T BE ABLE
TO RETURN IT - NO DOCUMENTATION.

ANY $1 \times 2 = 2$

+ 1

3

3

ROUGH WORK
