

QUESTION 1
RECONCILIATION

(32 marks; 19minutes)

1.1 You are provided with information related to VW Traders.

REQUIRED:

1.1.1 Choose a term/concept from the list given to complete the sentences below. Write only the term/concept next to the question number (A - E) in the answer book. (7)

**Stale cheque, debit, credit, debit order,
Debit interest income and credit debtors control
Debit debtors control and credit interest income
Debit bank and credit creditors control
Credit bank and debit creditors control
Separately**

- (A) An unfavourable balance in the bank account in the general ledger is a balance.
- (B) The journal entry made for interest charged on the debtors overdue account is recorded as
- (C) Entry for the record of a postdated cheque issued in the financial statements is
- (D) A grants permission for a third party to automatically receive monthly payment from the current banking account of a business.
- (E) A cheque that is more than six months old will not be cashed by the bank because it is a

1.1.2 Calculate:

- The correct totals for the Cash Receipts Journal (CRJ) and the Cash Payments Journal (CPJ) for July 2018
- The bank account balance in the General Ledger on 31 July 2018 (15)

1.1.3 Prepare the Bank Reconciliation Statement on 31 July 2018. (6)

1.1.4 Internal control of cash is lacking in VW Traders. Identify TWO problems and provide suitable advice to improve internal control (4)

INFORMATION:

A. The following items appeared in the Bank Reconciliation Statement on 30 June 2018:

Unfavourable balance on the bank statement	17 828
	93 140
Outstanding deposit (1 March 2018)	70 000
Outstanding deposit (25 June 2018)	23 140
Outstanding cheques and EFT:	
	13 350
No. 215 (12 January 2018)	1 210
No. 670 (25 June 2018)	5 200
No. 671 (2 September 2018)	1 760
EFT payment to Ballito Suppliers	5 180
Balance as per Bank account in the General Ledger	?

B. Before receiving the July 2018 Bank Statement, the provisional totals in the Cash Journals on 31 July 2018 were:

- CRJ, R42 620
- CPJ, R20 921

C. The Bank Statement for July 2018 shows the following items which do not appear in the Cash Journals for July 2018:

DETAILS	AMOUNT
Deposit	23 140
Cheque no. 670	2 500
Debit order Insure (Ltd.) for insurance	1 080
Debit order Insure (Ltd.) for insurance	1 080
EFT (Ballito Suppliers)	5 180
Interest on bank overdraft	172
Service fees	273
Dishonoured cheque – C Edy to settle his account of R 1 400	1 316
Dishonoured cheque – A Sutton (cheque post-dated) – see D	4 200
Direct deposit by tenant, T Wittstock	8 000

Note:

- Cheque no. 670 – The amount according to the Bank statement is correct.
- The debit order for insurance was processed twice by the bank due to insufficient funds in the previous month. The overdraft facility was exceeded.
- An investigation revealed that the deposit of R70 000, dated 1 March 2018, was never deposited at the bank. M Leppan,

the previous bookkeeper, cannot be traced and it was decided to write off this amount.

D. The following item appeared in the July 2018 Cash Receipts Journal:

- A post-dated cheque, received from A Sutton (a debtor) for R4 200, was banked in error. **(See C)**

The following items appeared in the July 2018 Cash Journals but not in the Bank Statement on 31 July 2018:

- EFT (processed by VW Traders but still outstanding on the Bank Statement) R3 380
- Deposit (dated 31 July 2018) R11 800

QUESTION 2

COST ACCOUNTING

(47 marks; 27 minutes)

2.1 Choose the correct answer from the alternatives in brackets. Write only the answer next to the numbers (2.1.1 – 2.1.3) in the ANSWER BOOK.

2.1.1 **(Office stationery / packing material)** will NOT be regarded as an administration cost.

2.1.2 Cleaning detergents used in the factory is an example of **(direct material/ indirect material)**.

2.1.3 An increase in the number of units produced will lead to a/an **(decrease/increase)** in the fixed cost per unit. (3)

2.2 **TOLO MANUFACTURERS**

Tolo Manufacturers makes plastic buckets. Information for the financial year ended 28 February 2018 is provided.

REQUIRED:

2.2.1 **Calculate** the cost of the raw materials issued to the factory during the financial year. (8)

2.2.2 Calculate the following -

- Direct Labour Cost (7)
- Factory Overhead Cost (5)

2.2.3 Prepare the Work in Progress Stock account in the general ledger. (13)

INFORMATION:**A. Stock balances:**

	28 FEB 2018	1 MAR 2017
	R	R
Raw materials	76 300	87 250
Work-in-process	?	30 000
Finished goods	31 800	27 800
Factory consumables	7 700	5 300

B. Summary of transactions for the year ended 28 February 2018:

Purchases of raw materials	R 694 150
Carriage on raw materials purchased	21 200
Consumable stores used in the factory	22 830
Cleaning materials purchased for the office	12 330
Production wages	423 400
UIF – Contribution for factory employees	?
Salaries: Factory foreman	154 200
Administration	189 000
Sales	217 000
Water and electricity	132 360
Sundry expenses: Factory	89 910
Administration	76 200
Sales department	68 390

C. Additional information:

- (i) An invoice for transport of raw materials, R4 200, has not yet been recorded.
- (ii) During the physical stock take of raw materials on 28 February 2018, 3 000 bucket handles were recorded at R5,00 each instead of R1,50 each. This must be corrected.
- (iii) The wage of a factory worker was omitted from the February 2018 wages journal. Her details are:

Net wage	R9 614
PAYE tax	R2 860
UIF (1% of gross)	R126
The employer contributes 1% to the UIF.	

- (iv) The water and electricity account for February 2018, R3 240, was not paid. 75% of the water and electricity is allocated to the factory.
- (v) Buckets are sold at R96 each (60% mark-up on cost). Total sales for the financial year amounted to R2 457 600.

2.3 HILLCREST BAKERY

Information relating to the production of cakes is presented. The business is owned by AB de Villiers.

REQUIRED:

- 2.3.1 Calculate the break-even point for 2018. (4)
- 2.3.2 Explain whether AB should be concerned about the break-even point and the level of production. Quote figures. (3)
- 2.3.3 Give a possible reason for the change in unit costs of direct material and of direct labour. (4)

INFORMATION:

		30 APRIL 2018	30 APRIL 2017
UNIT COSTS	Direct material	R14,50	R18,20
	Direct labour	R17,30	R12,40
	Selling and distribution	R8,40	R8,00
	Variable cost	R40,20	R38,60
Total fixed cost		R249 000	R242 720
Number of cakes produced and sold		15 000	14 800
Break-even point		?	13 950
Selling price per unit		R61,60	R56,00

QUESTION 3 (PART A) (61 MARKS – 32 MINUTES)

BALANCE SHEET AND RATIOS

- 3.1 Name three parties interested in the results of financial statements. Provide a reason why for each. (6)
- 3.2 Choose an accounting concept from Column B that best matches the analysis questions in Column A. Write only the letter down (A - D) next to the number 3.2.1 in the answer book. (6)

	Column A		Column B
3.2.1	To what extent does the business rely on borrowed funds?	A	LIQUIDITY
3.2.2	Can the business pay off all its debts?	B	SOLVENCY
3.2.3	Is the business able to pay its short term debts in the next financial year	C	PROFITABILITY
		D	RISK AND GEARING

3.3 The following information is extracted from the records of AA Enterprises – Their financial year ends on 28 February 2018.
(show all workings in brackets)

3.3.1 Complete the balance sheet on 28 February 2018. (42)

3.3.2 Calculate the following ratios and comment on the liquidity of the business.

- (a) Current Ratio (3)
- (b) Acid Test Ratio (4)

INFORMATION

A Extract from the Post-Adjustment Trial Balance on 28 February 2018.

	DEBIT	CREDIT
Mortgage loan FNB (1 March 2017)		350 000
Land and buildings cost price	780 000	
Equipment carrying value	78 000	
Vehicles carrying value	98 000	
Trading stock	32 000	
Debtors control	48 000	
Provision for bad debts		2 300
Creditors control		45 000
Bank overdraft		12 000
Petty cash	1 200	
Fixed deposit Capitec	690 000	
Pension fund		4 500
SARS (Paye)		12 300
Consumable stores on hand	1 700	
Accrued income	16 000	
Accrued expenses		5 400
Prepaid expenses	4 000	
Income received in advance		3 300

B ADDITIONAL INFORMATION

1. A portion of the fixed deposit **matures** on 31 May 2018.
2. A debtor's debit balance of R2 000 in the Debtors Ledger must still be transferred to his account in the Creditors Ledger.
3. Post-dated cheques payable in the next financial year were issued to creditors for R32 000.

4. An invoice for the extension of the building, R800 000 still needs to be recorded.

5. The following relates to the mortgage loan from FNB –

LOAN STATEMENT FROM FNB ON 28 FEBRUARY 2018	
Interest capitalized by the bank	15 000
Repayments during the year (including interest)	78 000
Capital repayment will be the same in the next financial year	?

QUESTION 3 PART B (39 MARKS – 25 MINUTES)

The following information was extracted from the accounting records of Myway Distributors, a partnership owned by My and Way.

INSTRUCTIONS

- 3.1 Draw up the current account of My for the year ending 28 February 2018. (13)
- 3.2 Appropriation account for the year ending 28 February 2018. (18)
- 3.3 Calculate the percentage return earned by Way on his average equity. Should he be satisfied? Motivate your answer. (8)

INFORMATION

1. The following balances were extracted from the ledger of Myway Distributors:

	2018	2017
Capital My	360 000	?
Capital Way	760 000	680 000
Current account My	?	2 300 (dr)
Current account Way	12 300 (dr)	4 500 (cr)
Drawings My	25 000	
Drawings Way	30 000	

2. My took an old business vehicle with a book value of R45 000, for his personal use. This was not recorded.
3. On 1 August 2017 My increased his capital with R140 000.
4. The partnership agreement is as follows:
 - Partners are entitled to interest at 12% p.a. on their capital investment.
 - Way's interest for the year is R23 200. My's interest still needs to be calculated.
 - On 1 January My received a 10% increase on his monthly salary of R26 500.
 - Way's salary for the year was R389 200.

- At the end of the financial period My receives a bonus equal to 90% of his monthly salary at the beginning of the financial year.
- Way's bonus for the year was R28 800.
- The partners share the remaining profits or losses in the ratio 2:1.
- Way's portion of the final distribution amounted to R125 150.
- The net profit for the year.....? (28 February 2018)

QUESTION 4 (24 MARKS – 15 MINUTES)

The following information relates to the fixed/tangible assets of MJV Traders for the year ended 31 July 2018.

REQUIRED:

- 4.1 Calculate the amounts indicated by **(i)–(iv)**. Show the workings. (20)
- 4.2 Explain the importance of a fixed asset register in a business. (2)
- 4.3 Is Asset disposal found in the balance sheet or nominal account section in the general ledger? (2)

INFORMATION:

A. Information from the financial statements for the year ended 31 July 2018:

FIXED/TANGIBLE ASSETS	LAND AND BUILDINGS	VEHICLES	EQUIPMENT
Carrying value on 1 August 2017	2 500 000	264 600	(iii)
Cost price	2 500 000	552 000	900 000
Accumulated depreciation	0	(287 400)	(224 000)
Movement			
Additions	(i)	0	0
Disposals at carrying value	0	0	(iv)
Depreciation	0	(ii)	
Carrying value on 31 July 2018	3 200 000		
Cost price	3 200 000		890 800
Accumulated depreciation	0		

B. Land and buildings

- Extensions to the buildings were done during the current financial year.

C. Vehicles

The business owns two vehicles. Details from the asset register is as follows:

	NISSAN	FORD
Cost	240 000	312 000
Accumulated depreciation on 1/8/2017	(225 000)	(62 400)
Carrying value on 1/8/2017	15 000	249 600

- No vehicles were bought or sold during the year.
- Depreciation is written off on vehicles at 25% p.a. on the cost price method.

D. Equipment

A photocopier was sold for cash to Zibu Internet Shop on 30 April 2018. The photocopier was sold at a loss of R250 due to damages. According to the Fixed Assets Register, the photocopier was originally purchased for R9 200. Accumulated depreciation on this item was R6 400 on 1 August 2017.

Depreciation on equipment is written off at 20% p.a. on the diminishing balance method.

QUESTION 5 - INVENTORY VALUATION AND INTERNAL CONTROL

(27 marks; 19 minutes)

Phelix Electronics uses the periodic stock system method to value stock of Smart television sets. The business is owned by Max Phelix. He employs Susan Sue to run the shop for him. The financial year end is 28 February 2018.

REQUIRED:

- 5.1.1 Explain the difference between Perpetual stock method and the Periodic stock method. (4)
- 5.1.2 Calculate the Cost of sales for the year ended 28 February 2018. (8)

INFORMATION:

A. Stock balances of Smart television sets:

DATE	NUMBER OF UNITS	UNIT PRICE (INCLUDING CARRIAGE)	TOTAL
1 March 2017	70	R 5 500	R 385 000
28 February 2018	145	R6 000	?

Purchases and returns of Smart television sets during the year:

B.

Purchases:				
DATE	NUMBER OF UNITS	UNIT PRICE	TOTAL CARRIAGE	TOTAL (INCLUDING CARRIAGE)
30 May 2017	150	R 5 000	R 18 750	R 768 750
25 August 2017	120	R 4 750	R 15 000	R 585 000
30 Dec 2017	90	R 4 450	R 11 250	R 411 750
TOTAL	360		R 45 000	R1 765 500
Returns:				
DATE	NUMBER OF UNITS	UNIT PRICE	TOTAL CARRIAGE	TOTAL (INCLUDING CARRIAGE)
5 Sep 2017	3	R4 750	R375	R14 625
These returns are from the purchases of August 2017.				

C. Sales for the year:

276 units for R2 303 800

D. Possible theft of television sets:

Max has been informed by a cleaner that he suspects Susan of giving away television sets to her family members and friends.

INTERNAL CONTROL

Phelix Electronics also sells Smart watches and cameras.

REQUIRED:

5.2.1 SMART TELEVISION SETS

Refer to Information D above.

Provide a calculation to prove that the information given by the cleaner about the television sets is true.

Give ONE point of advice. (7)

5.2.2 SMART WATCHES

The business decided to change the supplier in 2018 and to change the mark-up%.

Explain how this decision had affected the business. Provide TWO points. Quote figures. (4)

5.2.3 SMART CAMERAS

The business reduced the selling price of cameras in the 2018 financial year in response to a new competitor who sells similar cameras at R900 each.

Based on the information below, make TWO separate suggestions on how they can improve the profit on cameras in 2019. (4)

INFORMATION:

	SMART TELEVISION	SMART WATCHES		SMART CAMERAS	
	2018	2018	2017	2018	2017
Units sold	276	150	160	265	310
Opening stock	70	85	45	105	30
Closing stock	145	95	85	115	105
Purchases	357	160	200	275	385
Selling price		R1 650	R1 085	R910	R1 054
Cost price		R1 000	R700	R650	R620
Mark-up%		65%	55%	40%	70%
Gross profit		R97 500	R61 600	R68 900	R134 540
Stock-holding period	See 5.1.3	231 days	195 days	158 days	125 days

VAT (17 MARKS – 6 MINUTES)

5.3.1 What does VAT stand for? (1)

5.3.2 Give two items that are

- (a) Vat exempt (2)
- (b) Zero rated (2)

5.3.3 Complete the table below – Vat rate is 15%. (12)

	VAT EXCLUSIVE	VAT	VAT INCLUSIVE
Item 1	R10 500	A	B
Item 2	C	R720	D
Item 3	E	F	R1 104

QUESTION 6: BUDGETING

(53 marks; 25 minutes)

ZIMKHULU STORES

You are provided with information relating to Zimkhulu Stores.

REQUIRED

- 6.1.1 Provide one difference between a Cash budget and a Projected Income Statement. (2)
- 6.1.2 Identify two items from the Projected Income Statement that will not appear in the Cash budget. (4)
- 6.1.3 Complete the debtor's collection schedule for July to September 2018. (9)
- 6.1.4 Calculate the following –
 - The % decrease in budgeted sales in August 2018. (3)
 - The amount that will be paid to creditors during September 2018. (5)
 - The interest on fixed deposit that will be received for September 2018. (4)

Thando is pleased that the number of customers has increased in July. You do not share this opinion that the increase is good.

- Explain two problems you have identified and quote figures from the question to support your answer. (4)
- Give one point of advice in each case. (2)

6.1.5 Refer to Information I.

The owner Thando feels that there were problems regarding some of the income and expense items, at the end of August 2018. He compared the actual figures with the budgeted figures and noted differences between certain items.

Provide one possible reason for the difference. Give one point of advice, to the owner, in respect of each item. (9)

INFORMATION

A

Debtor's collection schedule of Zimkhulu stores for the period ending 30 September 2018.

Debtor's collection schedule of Zimkhulu stores for the period ending 30 September 2018.

MONTH	CREDIT SALES	JULY 2018	AUGUST 2018	SEPTEMBER 2018
	360 000	72 000		
JUNE	540 000	189 000	108 000	
JULY	450 000	171 000	157 500	?
AUGUST	436 500		165 870	?
SEPTEMBER	?			?
		432 000	431 370	?

B

Projected Income Statement

	JULY BUDGET	JULY ACTUAL	AUGUST BUDGET	SEPTEMBER BUDGET
Total sales	600 000	672 000	582 000	?
Cash sales	150 000	70 000	145 500	?
Credit sales	450 000	602 000	436 500	?
Bad debts	18 000	25 000	27 000	22 500

C

Credit sales – 75% of all sales are on credit

Debtors are given 30 days in which to settle their debts. However, trends over the past years reveal that debtors pay as follows:

- 40% within the same month of sale, subject to a 5% discount
- 35% in the month following the sale
- 20% in the second month following the sale
- 5% of debts are written off after 90 days

D

Bad debts projections

- September R27 000
- October R22 500
- November R21 825
- December R25 000

E

Stock purchases

- The business works on a fixed stock base where the stock sold in a month is replaced at the end of that month.
- The business uses a mark up of 60% on cost.
- 80% of stock is purchased on credit and creditors are paid after 30 days.

F

Fixed deposit

- The business has three fixed deposits with FNB bank to the value of R675 000 at an interest rate of 8%.
- One of these fixed deposit, worth R375 000 matures in August 2018.

G

Actual collection from debtors in July amounted to R438 000.

H**CASH BUDGET FROM DEBTORS ENDING 30 SEPTEMBER 2018.**

	JULY	AUGUST	SEPTEMBER
RECEIPTS			
Rent income	9 000	9 000	8 280
Fixed deposit		375 000	
Interest on fixed deposit	4 500	4 500	?
PAYMENTS			
Purchase of stock	?	?	?
Payment to creditors	?	?	?
Salaries and wages	520 000	520 000	?

I

AUGUST 2018	Budget	Actual	Variance
Sales	582 000	522 000	- 60 000
Sundry expenses	35 000	35 100	+100
Advertising	29 100	17 460	- 11640

6.1.6 Provide three requirements for good internal control over creditors. (3)

6.1.7 The business requires pay slips from all their debtors. What other information should they obtain before allowing customers to open accounts. State two points with a reason in each case. (4)

6.1.8 Explain two measures to improve collection of debtors. (4)

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