



**WORKED EXAMPLE OF A  
YEAR-END GRADE 12 ACCOUNTING EXAMINATION  
PREPARED BY NEW ERA ACCOUNTING**

## QUESTION PAPER 2

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Question	Topic	Marks	Minutes
1	Stock valuation, control & ethics	35 marks	20 minutes
2	Cash budget & Projected Income Statement	55 marks	45 minutes
3	Manufacturing	35 marks	35 minutes
4	Creditors' reconciliation & control	25 marks	20 minutes
<b>TOTAL:</b>		<b>150 marks</b>	<b>120 minutes</b>

**This question paper consists of 10 pages.**



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**QUESTION 1: STOCK VALUATION, CONTROL & ETHICS****(35 marks; 20 minutes)**

- 1.1 Choose the correct answer for the list provided for each statement below. Write only the answer next to the numbers (1.1.1 – 1.1.5) in the ANSWER BOOK.

periodic system; perpetual system; FIFO; weighted average; specific identification

- 1.1.1 Large, individual stock items are valued at their original invoice price.
- 1.1.2 The closing stock value takes into account the most recent price paid.
- 1.1.3 A stock count at the end of a financial period will determine any deficits.
- 1.1.4 Changes to stock are recorded in a purchases account.
- 1.1.5 This valuation method is suitable of inexpensive goods which are purchased at regular intervals. (5)

1.2 **THANDI STATIONERS**

Thandi Stationers uses the weighted average method to value the school bags. They recently decided to sell computer bags and use the specific identification method to value these items.

The financial year-end is 30 June each year.

**REQUIRED:**

- 1.2.1 Calculate the following for the **school bags** on 29 February 2020:
- Value of the closing stock (8)
  - Stock turnover rate (4)
- 1.2.2 Thandi suspects that school bags are being stolen despite installing security cameras.
- Calculate the number of school bags missing. (5)
  - Provide TWO suggestions to address this problem. (2)
- 1.2.3 Calculate the closing stock value for **computer bags** on 29 February 2020. (5)
- 1.2.4 An employee mentioned to Thandi that the purchasing manager, Donald, has a brother, Peter, who is the only shareholder in Bag-It (Pty) Ltd. Thandi remembers that she has paid Bag-It (Pty) Ltd for the computer bags purchased. Thandi has also been told by another supplier of the same computer bags that they charge R100 per bag less than Bag-It (Pty) Ltd.
- Explain the nature of the problem that faces Thandi. Provide THREE points. (6)

***Information is on the next page***

**INFORMATION:****A. STOCK RECORDS FOR SCHOOL BAGS:**

	<b>UNITS</b>	<b>UNIT PRICE (R)</b>	<b>AMOUNT (R)</b>
<b>Stock balance on 1 March 2019</b>	<b>170</b>		<b>R24 910</b>
<b>Purchases during the year:</b>	<b>1 780</b>		<b>R283 700</b>
April 2019	500	R150	R75 000
August 2019	800	R160	R128 000
November 2019	330	R165	R54 450
January 2020	150	R175	R26 250
<b>Returns (from January 2020)</b>	<b>30</b>	<b>?</b>	<b>?</b>
<b>Stock balance: 29 February 2020</b>	<b>147</b>	<b>?</b>	<b>?</b>
<b>Total Sales</b>	<b>1 763</b>	<b>R260</b>	<b>R458 380</b>

**B. STOCK RECORDS FOR COMPUTER BAGS:****PURCHASES:**

<b>MONTH</b>	<b>MODEL</b>	<b>UNITS</b>	<b>UNIT PRICE</b>	<b>AMOUNT</b>
September 2018	GUGU	150	R650	R97 500
	JITSU	200	R700	R140 000
January 2019	GUGU	120	R650	R78 000
	JITSU	120	R700	R84 000
April 2019	GUGU	50	R650	R32 500
	JITSU	75	R700	R52 500

**SALES:**

<b>MODEL</b>	<b>UNITS SOLD</b>	<b>SELLING PRICE</b>	<b>AMOUNT</b>
GUGU	150	R980	R147 000
JITSU	140	R1 100	R154 000

**QUESTION 2: CASH BUDGET & PROJECTED INCOME STATEMENT****(55 marks; 45 minutes)****2.1 WOOD TRADERS (Pty) Ltd**

You are provided with information for two months. The financial commences on 1 March each year.

**REQUIRED:**

- 2.1.1 Refer to Information G below. Calculate Salaries & wages to be paid in May 2020. (4)
- 2.1.2 Refer to Information J below. Calculate the amount that will be paid to Ace-Tech on 31 May 2020. (5)
- 2.1.3 Complete the Cash Budget for April and May 2020. Certain figures have been entered for you. (20)

**EXTRACT FROM THE PROJECTED INCOME STATEMENT:**

	<b>APRIL 2020</b>	<b>MAY 2020</b>
Sales	R1 312 500	R1 246 875
Cost of sales	750 000	712 500
Commission income	10 500	12 000
Sundry expenses	28 000	?
Depreciation	8 300	8 300
Salaries & wages	97 000	?
Bad debts	?	27 000
Advertisements	0	14 000
Interest expense (11% p.a.)	6 600	4 950

**ADDITIONAL INFORMATION:**

- A. Cash sales amount to a fixed percentage of all sales.
- B. Stock is replaced in the same month as sales. A fixed mark-up% is applied.
- C. 20% of all purchases of stock are bought for cash.
- D. All creditors are paid in full in 30 days (in the month following the purchase) less a settlement discount of 4%.
- E. Commission is received two months after it is earned. Commission is budgeted to increase by R1 500 per month.
- F. Sundry expenses consist of cash items only. They are expected to decrease by 7,5% each month.

***Information is continued on the next page***

- G. The business employs a manager and 12 workers.
- The manager earns R13 000 per month and she will get a bonus of R26 000 in May.
  - Resignations are expected from 2 workers with effect from 1 May 2020. They will not be replaced, but the remaining workers will get a 10% increase on the same date.
- H. Advertisements will appear in a magazine on the first day of each month, commencing on 1 May. Payment to cover 4 advertisements will be made in full on 15 April.
- I. The interest rate is 11% p.a. Interest is not capitalised and is paid monthly. A portion of the loan will be repaid on 30 April 2020.
- J. A file-server computer will be traded in at book value for a more efficient computer to be bought from Ace-Tech and paid for on 31 May 2020. The cost of the new computer is R71 400.

Details of the old computer in the fixed asset register are:

Computer (at cost): R43 200

Accumulated depreciation on 1 March 2020: R28 800

Depreciation is  $33\frac{1}{3}\%$  on cost.

## 2.2 UNIQUE TABLES (Pty) Ltd

You are provided with information for two months ending 30 April 2020. The business sells one type of table.

### REQUIRED:

- 2.2.1 Calculate the percentage increase in the amount budgeted for salaries and wages for April 2020. Explain why the employees should be satisfied with this increase. Provide TWO points. (4)
- 2.2.2 The financial director is pleased with the work being done by the bookkeeper and internal auditor. Identify an expense that indicates that he is correct. Explain your answer. (3)
- 2.2.3 A competitor, Mod Tables, which sells only for cash, opened a store nearby on 1 April 2020.
- Comment on how the new competitor has affected the sales of Unique Tables. Provide figures. (4)
  - Explain how Unique Tables has responded to this problem. Provide THREE points. Provide figures. (9)
- 2.2.4 The directors cannot understand why there was a cash deficit of R502 000 in April 2020 when the gross profit was only R120 000 under-budget (due to decreased sales) and there was a saving in total operating expenses of R46 000.
- Provide THREE points with evidence from the question which would account for the large cash deficit of R502 000. (6)

**Information is on the next page**

**INFORMATION:****A. General information:**

- The business budgets on selling 400 tables per month.
- Cost per table is R2 000 and the selling price is R3 500. No discounts were given.
- The stock of tables is replaced in the month of sale.
- The business uses Vuca Deliveries to deliver tables to each customer.
- Mortgage loans offered by the banks do not exceed 80% of property values.
- The official inflation rate is 6% and interest rates are 14% on mortgage loans and 7% on fixed deposits.

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

	MARCH 2020		APRIL 2020	
	PROJECTED	ACTUAL	PROJECTED	ACTUAL
Cash surplus (deficit) for month	210 000	240 000	140 000	(502 000)
Cash at beginning of month	125 000	125 000	335 000	365 000
Cash at end of month	<b>335 000</b>	<b>365 000</b>	<b>475 000</b>	<b>(137 000)</b>

**C. Projected Income Statement:**

	MARCH 2020		APRIL 2020	
	PROJECTED	ACTUAL	PROJECTED	ACTUAL
Number of tables sold	<b>400 tables</b>	<b>430 tables</b>	<b>400 tables</b>	<b>320 tables</b>
Cash sales	1 120 000	1 204 000	1 120 000	280 000
Credit sales	280 000	301 000	280 000	840 000
<b>Total sales</b>	<b>1 400 000</b>	<b>1 505 000</b>	<b>1 400 000</b>	<b>1 120 000</b>
Cost of sales	(800 000)	(860 000)	(800 000)	(640 000)
<b>Gross profit</b>	<b>600 000</b>	<b>645 000</b>	<b>600 000</b>	<b>480 000</b>
<b>Operating expenses</b>	<b>(354 000)</b>	<b>(363 000)</b>	<b>(472 000)</b>	<b>(426 000)</b>
Directors' fees	110 000	110 000	110 000	55 000
Salaries & wages	48 000	48 000	53 000	53 000
Depreciation	18 000	18 000	18 000	30 000
Advertising	15 000	15 000	15 000	50 000
Delivery of tables	120 000	129 000	120 000	120 000
Audit fees	0	0	110 000	70 000
Sundry expenses	17 000	17 000	17 000	17 500
Motor vehicle expenses	0	0	0	13 000
Rent expense	26 000	26 000	29 000	0
Interest: mortgage bond	0	0	0	17 500
<b>Operating profit</b>	<b>246 000</b>	<b>282 000</b>	<b>128 000</b>	<b>54 000</b>

**QUESTION 3 MANUFACTURING****(35 marks; 35 minutes)**

You are provided with information relating to Best-Buy Bakers Ltd for the month of April 2020 with comparative figures for March 2020. Their two products are made in separate factories.

The business has had a good reputation for producing boxes of luxury biscuits for many years and opened the breakfast cereal factory on 1 March 2020.

**Take note of the following:**

- There is no work-in-progress at the beginning or end of any month.
- All goods produced are sold to retailers in the month of production.
- There were no price or rate changes over these two months.
- Overtime is paid at the rate of normal time plus 20%.
- You must quote figures to support all comments and explanations.

**REQUIRED:**

3.1 Calculate the following for the **Biscuits** factory in April 2020:

3.1.1 Total cost of production as reflected in the Production Cost Statement. (5)

3.1.2 Break-even point. (4)

3.2 The directors are not happy with the decline in net profit on **Biscuits** in April 2020. Comment on the change in the following items for Biscuits in April 2020:

3.2.1 Break-even point and level of production. (4)

3.2.2 Fixed costs per unit. Explain why this changed. (4)

3.2.3 Direct materials cost per unit. Also state TWO possible reasons for the changes and how these can be rectified. (6)

3.3 The **Cereals** factory was opened on 1 March 2020. One of the shareholders has said that the directors are not doing their jobs properly, that they know nothing about cereals and that it was a poor decision to start producing cereals.

Explain what the CEO should say at the AGM to convince the shareholders that these allegations are not true. Mention the deliberate decisions or actions of the directors over the past two months and provide evidence to support your opinions. (8)

3.4 Calculate the following for **Cereals**:

3.4.1 The additional profit that will be made in May 2020 if production and sales increase by 10%. (2)

3.4.2 The number of extra units that must be produced and sold in May 2020 to make an additional profit of R300 000. (2)

***Information is on the next page***

**INFORMATION:****A. PRODUCTION, MARK-UP & BREAK-EVEN POINTS**

	<b>BISCUITS</b>		<b>CEREAL</b>	
	<b>April</b>	<b>March</b>	<b>April</b>	<b>March</b>
Units produced & sold	29 000 units	40 000 units	19 000 units	13 500 units
Total cost of production	?	R2 159 000	R818 200	R659 700
Unit cost of production	?	R53,98	R43,06	R48,87
Selling price per unit	R97,00	R95,00	R80,00	R65,00
Mark-up %	45,1%	76,0%	68,4%	33,0%
Break-even point	?	18 578 units	8 615 units	21 265 units

**B. UNIT COSTS**

	<b>BISCUITS</b>		<b>CEREAL</b>	
	<b>April</b> Per unit	<b>March</b> Per unit	<b>April</b> Per unit	<b>March</b> Per unit
<b>VARIABLE COSTS PER UNIT:</b>	<b>R56,50</b>	<b>R48,60</b>	<b>R41,00</b>	<b>R49,20</b>
Direct materials	R15,40	R11,80	R20,40	R20,00
Direct labour	R31,50	R27,70	R9,40	R10,20
Selling & distribution	R9,60	R9,10	R11,20	R19,00
<b>FIXED COSTS PER UNIT:</b>	<b>R29,70</b>	<b>R21,55</b>	<b>R17,68</b>	<b>R24,89</b>
Factory overheads	R19,94	R14,47	R13,26	R18,67
Administration cost	R9,76	R7,08	R4,42	R6,22

**C. INFORMATION FROM INCOME STATEMENTS:**

	<b>BISCUITS</b>		<b>CEREAL</b>	
	<b>April</b>	<b>March</b>	<b>April</b>	<b>March</b>
Sales	?	R3 800 000	R1 520 000	R877 500
Gross profit	R873 900	R1 641 000	R701 800	R217 800
Net profit (loss)	R313 200	R994 000	R405 000	(R122 700)

**D. TOTAL COSTS**

	<b>BISCUITS</b>	<b>CEREAL</b>	<b>BISCUITS</b>	<b>CEREAL</b>
	<b>March</b>	<b>April</b>	<b>March</b>	<b>April</b>
Total costs	R2 499 800	R2 806 000	R1 115 000	R1 000 200
Total variable costs	R1 638 500	R1 944 000	R779 000	R664 200
Total fixed costs	R861 300	R862 000	R336 000	R336 000



**QUESTION 4: CREDITORS' RECONCILIATION & CONTROL (25 marks; 20 minutes)**

You are provided with the Creditors' Ledger account of Mega Wholesalers in the books of Madiba Traders and a statement of account received from Mega Wholesalers on 25 March 2020.

**REQUIRED:**

- 4.1 Calculate the correct balance of Mega Wholesalers in the Creditors' Ledger Account of Madiba Traders. Show the changes to the figure R92 340. (11)
- 4.2 Prepare a Creditors' Reconciliation Statement for Mega Wholesalers on 31 March 2020. (10)
- 4.3 Provide TWO reasons why Mega Wholesalers would not be happy with their credit controller in respect of how the account of Madiba Traders has been controlled. (4)

**INFORMATION:****A. Extract from the Creditors' Ledger of Madiba Traders:**

<b>MEGA WHOLESALERS (CL12)</b>					
2020			<b>Debit</b>	<b>Credit</b>	<b>Balance</b>
March	1	Balance			54 000
	5	Invoice 222		14 000	68 000
	8	EFT	12 300		55 700
	17	Invoice 321		62 500	118 200
	18	Debit note 746	5 760		112 440
	20	Invoice 396		25 350	137 790
	23	Invoice 98		27 300	165 090
	24	Debit note 97		3 400	168 490
	25	Journal voucher 943	3 600		164 890
	31	EFT	71 100		93 790
		Discount received	1 450		92 340

**B. Statement received on 25 March 2020:**

<b>MEGA WHOLESALERS</b>					
<b>Box 771, Rossburgh, 3682.</b>			<b>Tel: (042) 700 6214</b>		
<b>Date: 25 March 2020</b>			<b>To: Madiba Traders</b>		
<b>Credit limit: R 50 000</b>			<b>Box 1019</b>		
<b>Credit terms: 30 days</b>			<b>Wandsbeck 3582</b>		
<b>Interest on overdue accounts is charged at 6%</b>					
2020			<b>DEBIT</b>	<b>CREDIT</b>	<b>AMOUNT</b>
March	1	Account rendered			54 000
	2	Interest	870		54 870
	5	Invoice 222	14 000		68 870
	8	Direct deposit		12 300	56 570
		Discount allowed		250	56 320
	17	Invoice 321	62 500		118 820
	18	Credit note 511		6 570	112 250
	19	Receipt 673		84 000	28 250
	20	Invoice 396	38 750		67 000
	24	Credit note 337		3 400	63 600

**C. INFORMATION:**

1. Provisional balances:
  - The statement of account received from Mega Wholesalers on 25 March 2020 reflects that Madiba Traders owes them R63 600.
  - The Creditors' Ledger account of Mega Wholesalers in the books of Madiba Traders reflects an outstanding balance of R92 340 on 31 March 2020.
2. The interest of R 870 shown on the statement on 2 March is the result of Madiba Traders failing to settle an outstanding amount as per the credit terms.
3. The bookkeeper of Madiba Traders forgot to record the discount granted by Mega Wholesalers on 8 March.
4. Invoice number 396 is correctly reflected in the books of Madiba Traders on 20 March 2019.
5. Invoice 98 was reflected incorrectly by Madiba Traders in the Creditors' Ledger. It refers to stock purchased from another supplier, Max Suppliers.
6. Mega Wholesalers incorrectly showed Receipt 673 on their statement. This transaction was not made with Madiba Traders. Mega Wholesalers has informed Madiba Traders that this error will be corrected on the next statement.
7. Goods returned on 18 March were recorded correctly on the statement from Mega Wholesalers. The entry in the books of Madiba Traders is incorrect.
8. Mega Wholesalers also purchases goods on credit from Madiba Traders. Madiba Traders has transferred a debit balance from the Debtors' Ledger. Refer to Journal Voucher 943. This entry has not yet been recorded by Mega Wholesalers.
9. The transaction on 24 March is in respect of merchandise returned to Mega Wholesalers. Correct the error.
10. The statement from Mega Wholesalers only shows transactions up to 25 March.

<b>25</b>
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**TOTAL MARKS: 150**