



education

Department:
Education
REPUBLIC OF SOUTH AFRICA

**NATIONAL
SENIOR CERTIFICATE**

GRADE 12

**ACCOUNTING
NOVEMBER 2009
MEMORANDUM**

MARKS: 300

This memorandum consists of 19 pages.

QUESTION 1

1.1 Explain why it is important for a business to prepare a Bank Reconciliation Statement each month.

Good explanation = 2 marks; Satisfactory =1; Incorrect =0 ✓✓

Expected responses:

- Improves internal control – minimise fraud or error because records are checked to an external source.
- To compare the books of the business with that of the bank in order to detect errors and/or dishonesty at an early stage.
- To reconcile the bank statement balance with the bank account balance.

2

1.2

CRJ	Bank	CPJ	Bank
Provisional total	70 600	Provisional total	105 320
K Kwela	✓ 2 400	Bank charges	✓ 520
Interest on FD	✓ 700	Interest on O/D	✓ 810
Stale cheque	✓✓ 5 000	Insurance	✓ 660
		M Maduna	✓ 6 200
		Repairs	✓✓ 180
Correct total	✓ 78 700	Correct total	✓ 113 690

12

1.3 Calculate the Bank Balance on 31 May 2009.

See 1.2 See 1.2 Inspection
 $6\ 325\ \checkmark + 78\ 700\ \checkmark - 113\ 690\ \checkmark = 28\ 665\ \checkmark\checkmark$

OR

LEDGER OF ROVER JEWELLERS								
BANK								
May 1	Balance	b/d	✓ 6 325		May 31	Sundry accounts	CPJ	✓ 113 690
31	Sundry accounts	CRJ	✓ 78 700					
	Balance	c/d	✓ 28 665					
			113 690					113 690
					Jun 1	Balance	b/d	28 665

State whether this is a favourable or unfavourable balance.

Unfavourable ✓

6

1.4 BANK RECONCILIATION STATEMENT AS AT 31 MAY 2009		
	Debit	Credit
Balance as per bank statement (overdraft)	<input checked="" type="checkbox"/> 34 720	
Outstanding deposits	Inspection	<input checked="" type="checkbox"/> <input checked="" type="checkbox"/> 20 295
Outstanding cheques:		
No. 519 (dated 14 April 2009)	<input checked="" type="checkbox"/> <input checked="" type="checkbox"/> 8 920	
No. 654 (dated 23 May 2009)	<input checked="" type="checkbox"/> <input checked="" type="checkbox"/> 2 800	
No. 674 (dated 29 Aug 2009)	<input checked="" type="checkbox"/> <input checked="" type="checkbox"/> 2 520	See 1.3
Balance as per bank account		<input checked="" type="checkbox"/> 28 665
	48 960	48 960
OR single column method OR could start with ledger balance		
Balance as per bank statement	<input checked="" type="checkbox"/> (34 720)	<input checked="" type="checkbox"/> 34 720
Outstanding deposits	<input checked="" type="checkbox"/> <input checked="" type="checkbox"/> 20 295	<input checked="" type="checkbox"/> <input checked="" type="checkbox"/> (20 295)
Debit outstanding cheques:		
No. 519 (dated 14 April 2009)	<input checked="" type="checkbox"/> <input checked="" type="checkbox"/> (8 920)	<input checked="" type="checkbox"/> <input checked="" type="checkbox"/> 8 920
No. 654 (dated 23 May 2009)	<input checked="" type="checkbox"/> <input checked="" type="checkbox"/> (2 800)	<input checked="" type="checkbox"/> <input checked="" type="checkbox"/> 2 800
No. 674 (dated 29 Aug 2009)	<input checked="" type="checkbox"/> <input checked="" type="checkbox"/> (2 520)	<input checked="" type="checkbox"/> <input checked="" type="checkbox"/> 2 520
Credit balance as per bank account	<input checked="" type="checkbox"/> 28 665	<input checked="" type="checkbox"/> 28 665

10

1.5	<p>The fixed deposit of R84 000 matures next month. What advice would you offer the owner in this regard? Explain TWO points quoting appropriate figures to support your answer.</p> <p>Good explanation = 2 marks; Satisfactory =1; Incorrect =0 <input checked="" type="checkbox"/><input checked="" type="checkbox"/> <input checked="" type="checkbox"/><input checked="" type="checkbox"/></p> <p>Pay off the overdraft because the interest of 10% per month on the fixed deposit is lower than the interest rate on a bank overdraft.</p> <p>Re-invest the difference (R84 000 – amount of overdraft calculated in 1.4) in order to earn a return of 10% p.a. on a fixed deposit OR invest the difference in the business in order to earn a bigger profit.</p>	4
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1.6	<p>Explain why the internal auditor should be concerned about the outstanding deposit of R20 295.</p> <p>It should appear promptly on the Bank Statement. ✓ Fraud could be involved e.g. rolling over of cash by the cashier. ✓✓</p> <p>Explain how cheque No. 674 should be dealt with when the financial statements are prepared on 31 May 2009. Give a reason for your answer.</p> <p>Reduce the bank overdraft ✓ and increase creditors ✓ The funds have not yet been lost at the Balance Sheet date as the cheque is post-dated ✓</p>	6
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40

QUESTION 2

*Inspection

2.1.1	PRODUCTION COST STATEMENT OF PD PENCILS MANUFACTURERS ON 31 OCTOBER 2009		
		TOTAL	
	Direct/Raw materials cost ✓	1 770 000	✓
	Direct labour cost ✓	975 000	✓
	Prime cost	2 745 000	✓
	Factory overhead cost ✓	827 000	✓
	Total cost of production	3 572 000	<input checked="" type="checkbox"/> *
	Work-in-process stock on 1 November 2008	37 600	
		3 609 600	
	Work-in-process on 31 October 2009 ✓	(84 600)	<input checked="" type="checkbox"/> *
Cost of production of finished goods	3 525 000	<input type="checkbox"/>	
		10	
2.1.2	Calculate the cost of production per unit.		
	<u>Cost of production</u>		
	No. of units manufactured		
	= $\frac{R3\ 525\ 000}{750\ 000}$ ✓	✓	
	= R4,70 <input checked="" type="checkbox"/> *	<input checked="" type="checkbox"/> *	<input type="checkbox"/>
			3
2.1.3	Calculate the net profit.		
	✓	✓	✓
	✓	✓	<input checked="" type="checkbox"/> *
	R6 390 000 – 3 337 000 – 810 000 – 603 000 = R1 640 000		<input type="checkbox"/>
			5

2.2.1	<p>Calculate the break-even point for the year ended 31 October 2009.</p> $\frac{\text{Total fixed costs}}{\text{Selling price per unit} - \text{Variable cost per unit}}$ $= \frac{\text{R348 500}}{\text{R150} - \text{R70}}$ $= \frac{\text{R348 500}}{\text{R80}}$ <p>= 4 356 or 4 357 units <input checked="" type="checkbox"/>*</p>	<div style="border: 1px solid black; width: 40px; height: 20px; margin: 0 auto;"></div> <div style="border: 1px solid black; width: 40px; height: 20px; text-align: center; margin: 0 auto;">5</div>
2.2.2	<p>Should the business be satisfied with the number of units that are currently produced? Explain.</p> <p><i>Answer depends on units calculated in 2.2.1.</i></p> <p>No ✓ - they are producing 256 units less than what is required to break even (4 356 units). They will make a net loss. ✓✓</p>	<div style="border: 1px solid black; width: 40px; height: 20px; margin: 0 auto;"></div> <div style="border: 1px solid black; width: 40px; height: 20px; text-align: center; margin: 0 auto;">3</div>
2.2.3	<p>Give a valid reason for the decrease in direct/raw materials cost per unit.</p> <p>Any valid reason ✓✓</p> <ul style="list-style-type: none"> • Greater care or efficiency in the use of raw materials • Tighter control over the use of raw materials • Better quality of raw materials – less wastage • Better training of workers • Raw materials obtained at a cheaper price 	<div style="border: 1px solid black; width: 40px; height: 20px; margin: 0 auto;"></div> <div style="border: 1px solid black; width: 40px; height: 20px; text-align: center; margin: 0 auto;">2</div>
2.2.4	<p>Give a valid reason for the increase in direct labour cost per unit.</p> <p>Any valid reason ✓✓</p> <ul style="list-style-type: none"> • More overtime • Decrease in productivity – working slower, demotivated or lazy workers • Unproductive workers due to power cuts, etc. 	<div style="border: 1px solid black; width: 40px; height: 20px; margin: 0 auto;"></div> <div style="border: 1px solid black; width: 40px; height: 20px; text-align: center; margin: 0 auto;">2</div>

QUESTION 3

*Inspection

**3.1 QWANDO LIMITED
NOTES TO THE BALANCE SHEET**

ORDINARY SHARE CAPITAL		R
Authorised		
1 000 000 ordinary shares of R3 each		3 000 000
Issued		
<input checked="" type="checkbox"/> * 700 000 ordinary shares of R3 each on the last day of previous year	<input checked="" type="checkbox"/> *	2 100 000
<input checked="" type="checkbox"/> 100 000 ordinary shares of R3 each issued during the year	<input checked="" type="checkbox"/>	300 000
<input checked="" type="checkbox"/> 800 000 ordinary shares of R3 each on the last day of current year	<input checked="" type="checkbox"/>	2 400 000

RETAINED INCOME		R
Balance on the last day of previous year	<input checked="" type="checkbox"/>	490 000
Net profit after tax for the period (1 250 000 - 30%)	<input checked="" type="checkbox"/> <input checked="" type="checkbox"/>	875 000
Ordinary share dividends		(420 000)
Paid <small>If 0,20 x opening number of shares</small>	<input checked="" type="checkbox"/> <input checked="" type="checkbox"/>	140 000
Recommended <small>If 0,35 x closing number of shares</small>	<input checked="" type="checkbox"/> <input checked="" type="checkbox"/>	280 000
Balance on the last day of current year	<input checked="" type="checkbox"/>	945 000

3.2 QWANDO LIMITED
BALANCE SHEET ON 30 JUNE 2009

*Inspection

ASSETS			
NON CURRENT ASSETS			*☑ 4 061 000
Fixed / Tangible assets		✓	4 021 000
Financial Assets			
Fixed deposit: Supra Bank (60 000 ✓ - 20 000 ✓)		✓	40 000
CURRENT ASSETS			*☑ 259 350
Inventories (129 600 ✓ + 5 600 ✓)		✓	135 200
Trade and other receivables (45 000 ✓ - 2 250 ✓ + 25 000 ✓✓ + 7 950 ✓)		✓	75 700
Cash and Cash equivalents (20 000 ☑ see FD + 28 450 ✓)		*☑	48 450
TOTAL ASSETS			*☑ 4 320 350
EQUITY AND LIABILITIES			
CAPITAL AND RESERVES			*☑ 3 593 000
Ordinary share capital	See 3.1	☑	2 400 000
Share premium		✓	248 000
Retained income	See 3.1	☑	945 000
NON-CURRENT LIABILITIES			*☑ 288 000
Mortgage loan: Supa Bank (336 000 ✓ - 48 000 ✓✓)			288 000
CURRENT LIABILITIES			*☑ 439 350
Trade and other Payables (85 200 ✓ + 7 200 ✓ + 12 300 ✓ + 6 650 ✓)		✓	111 350
Shareholders for dividends	See 3.1	✓☑	280 000
Current portion of loan (12 X 4 000)	See loan	✓☑	48 000
TOTAL EQUITY AND LIABILITIES			*☑ 4 320 350

3.3.1	<p>State whether the shareholders would be satisfied or unsatisfied with this audit report. Give a reason for your answer.</p> <p>Satisfied ✓</p> <p>Any valid reason ✓✓</p> <p><i>Possible responses</i></p> <ul style="list-style-type: none"> • The financial statements are fairly presented - this is a positive report • This is an unqualified report • Auditors did not mention any irregularities 	<div style="border: 1px solid black; width: 40px; height: 20px; margin: 0 auto;"></div> <div style="border: 1px solid black; width: 40px; height: 20px; margin: 0 auto; text-align: center;">3</div>
3.3.2	<p>Explain why the auditors found it necessary to stipulate the page numbers (i.e. 8 to 20) in this report.</p> <p>They are only responsible for the pages that have been stipulated in the auditors' report ✓✓</p>	<div style="border: 1px solid black; width: 40px; height: 20px; margin: 0 auto;"></div> <div style="border: 1px solid black; width: 40px; height: 20px; margin: 0 auto; text-align: center;">2</div>
3.3.3	<p>Explain why the Companies Act makes it a requirement for public companies to be audited by an independent auditor.</p> <p>The shareholders of a company need to have confidence in the company's ability to look after the investment ✓✓</p>	<div style="border: 1px solid black; width: 40px; height: 20px; margin: 0 auto;"></div> <div style="border: 1px solid black; width: 40px; height: 20px; margin: 0 auto; text-align: center;">2</div>
3.3.4	<p>Name TWO major consequences for Barlow and Bokwe should they be negligent in performing their duties.</p> <p>Any two valid consequences ✓✓ ✓✓</p> <p><i>Possible responses</i></p> <ul style="list-style-type: none"> • Can be sued • Not be re-appointed as auditors • Face disciplinary procedures by the professional body 	<div style="border: 1px solid black; width: 40px; height: 20px; margin: 0 auto;"></div> <div style="border: 1px solid black; width: 40px; height: 20px; margin: 0 auto; text-align: center;">4</div>

3.3.5	<p>What actions would Barlow and Bokwe have to perform to verify the Fixed/Tangible Assets figure in the Balance Sheet? Provide THREE points.</p> <p>Three actions ✓ ✓ ✓</p> <p><i>Possible responses</i></p> <ul style="list-style-type: none"> • Examine the financial records of the business - external audit • Assess the internal control of the business • Assess the accounting principles used by the business • Inspect the fixed asset register 	<div style="border: 1px solid black; width: 40px; height: 20px; margin-bottom: 5px;"></div> <div style="border: 1px solid black; width: 40px; height: 20px; text-align: center; margin-bottom: 5px;">3</div>
3.3.6	<p>Quinton Qwando, the major shareholder and managing director, has informed the auditors that he intends to buy the unissued shares himself next year without advertising the new issue to the other shareholders or the public. What advice should the auditors give to Quinton? Briefly explain.</p> <p>Advice: This is unethical and the issue of new shares should be advertised to all according to the Memorandum and Articles of Association, as this is a public company. ✓✓</p> <p>Explanation: The other shareholders will be disadvantaged, as Quinton will be increasing his shareholding percentage, which will effectively reduce the returns and dividends that the others are earning. By offering the shares on the open market the company could raise more money than if they sold at an agreed price to one buyer. ✓✓</p> <p><i>Any valid explanation.</i></p>	<div style="border: 1px solid black; width: 40px; height: 20px; margin-bottom: 5px;"></div> <div style="border: 1px solid black; width: 40px; height: 20px; text-align: center; margin-bottom: 5px;">4</div>

QUESTION 4

*Inspection

4.1.1	Calculate fixed / tangible assets purchased. $R2\,273\,300 - 818\,200 = R1\,455\,100 \checkmark\checkmark$	<input type="text"/> 2
4.1.2	Calculate the depreciation on vehicles. $R382\,800 - R146\,800 = R236\,000 \checkmark \times 20\% \checkmark = R47\,200 \checkmark^*$	<input type="text"/> 3
4.1.3	Calculate proceeds of fixed/tangible assets sold. $382\,800 - 146\,800 = 236\,000$ $172\,800 - 83\,000 = 89\,800$ $236\,000 \checkmark - 89\,800 \checkmark - 47\,200 \checkmark = 99\,000 \checkmark^*$	<input type="text"/> 4

4.2	KOOLA LIMITED	*Inspection
CASH FLOW STATEMENT FOR THE YEAR ENDED 31 AUGUST 2009		
		R
	Cash effects of operating activities	*☑ 761 180
	Cash generated from operations	1 227 370
	Interest paid	✓✓ (120 450)
	Dividends paid (58 320 ✓ + 150 000 ✓ - 78 000 ✓)	✓ (130 320)
	Income tax paid (311 220 ✓ - 29 200 ✓ -66 600 ✓)	✓ (215 420)
	Cash effects of investing activities	*☑ (1 356 100)
	Purchase of tangible assets (2 273 300 - 818 200)	See 4.1.1 ☑ (1 455 100)
	Proceeds from the sale of tangible assets*	See 4.1.3 ☑ 99 000
	Cash effects of financing activities	*☑ 582 000
	Proceeds from shares issued (1 200 000 - 432 000 = 768 000 ✓ + 54 000 ✓)	✓ 822 000
	Repayment of long-term loans (820 000 - 580 000)	✓✓ (240 000)
	Net change in cash and cash equivalents	*☑ (12 920)
	Cash and cash equivalents at beginning of year	✓ 86 920
	Cash and cash equivalents at end of year	✓ 74 000

4.3	<p>The Cash Flow Statement reflects some important decisions that have been taken by the directors.</p> <p>Name TWO of these decisions, quote figures to support your answer and explain how each decision benefits the company.</p> <p>Two valid decisions listed ✓ ✓ Figures quoted ✓ ✓ Explanation ✓ ✓</p> <ul style="list-style-type: none"> • Repayment of loan to reduce interest. Loan decreased by R240 000. • Shares were issued in order to fund the purchase of Land & Buildings. R822 000 were generated through the issue of shares. This was a better option than borrowing funds. • Tangible assets (Land & Buildings) were acquired to the value of R1 455 100. This will save the company rent expenditure, the company has acquired assets that increase in value. • A vehicle was sold for R99 000. This could have been an obsolete / unused vehicle which resulted in unnecessary maintenance expenses. 	<div style="border: 1px solid black; width: 40px; height: 20px; margin: 0 auto;"></div> <div style="border: 1px solid black; width: 40px; height: 20px; text-align: center; margin: 0 auto;">6</div>																									
4.4.1	<p>Debt : Equity ratio</p> <p>Non-current liabilities: Shareholder's Equity</p> <p>R580 000 : R1 200 000+54 000+781 380</p> <p>= R580 000 ✓ : R2 035 380 ✓✓✓ <input checked="" type="checkbox"/> If any one part correct</p> <p>= 0,28: 1 <input checked="" type="checkbox"/> or 0.3:1</p>	<div style="border: 1px solid black; width: 40px; height: 20px; margin: 0 auto;"></div> <div style="border: 1px solid black; width: 40px; height: 20px; text-align: center; margin: 0 auto;">5</div>																									
4.4.2	<p>Net asset value per share</p> <table style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 40%;"><u>Shareholder's equity</u></td> <td style="width: 10%; text-align: center;">x</td> <td style="width: 10%; text-align: center;"><u>100</u></td> <td style="width: 10%;"></td> <td style="width: 10%; text-align: center;"><u>1</u></td> </tr> <tr> <td>No. of shares issued</td> <td></td> <td></td> <td></td> <td style="text-align: center;">1</td> </tr> <tr> <td colspan="5" style="text-align: center; font-size: small;">See 4.4.1</td> </tr> <tr> <td>= <u>R2 035 380</u> <input checked="" type="checkbox"/></td> <td style="text-align: center;">x</td> <td style="text-align: center;"><u>100</u></td> <td></td> <td style="text-align: center;"><u>1</u></td> </tr> <tr> <td style="text-align: center;">120 000 ✓✓</td> <td></td> <td></td> <td></td> <td></td> </tr> </table> <p>= 1 696,2 cents <input checked="" type="checkbox"/> OR 1 696,15 OR R16,96</p>	<u>Shareholder's equity</u>	x	<u>100</u>		<u>1</u>	No. of shares issued				1	See 4.4.1					= <u>R2 035 380</u> <input checked="" type="checkbox"/>	x	<u>100</u>		<u>1</u>	120 000 ✓✓					<div style="border: 1px solid black; width: 40px; height: 20px; margin: 0 auto;"></div> <div style="border: 1px solid black; width: 40px; height: 20px; text-align: center; margin: 0 auto;">4</div>
<u>Shareholder's equity</u>	x	<u>100</u>		<u>1</u>																							
No. of shares issued				1																							
See 4.4.1																											
= <u>R2 035 380</u> <input checked="" type="checkbox"/>	x	<u>100</u>		<u>1</u>																							
120 000 ✓✓																											

4.4.3	<p>Acid-test ratio</p> <p>Trade and other receivables + cash and cash equivalents : Current liabilities</p> <p>(70 200 + 74 000) : 69 000 + 78 000 + 66 600</p> <p>= 144 200 ✓✓☑ : 213 600 ✓☑ if any one part correct</p> <p>= 0,7 : 1 ☑ OR 0,68 : 1</p>	<div style="border: 1px solid black; width: 40px; height: 20px; margin: 0 auto;"></div> <div style="border: 1px solid black; width: 40px; height: 20px; text-align: center; margin: 0 auto;">6</div>
4.4.4	<p>Earnings per share</p> <p><u>Net profit after tax</u> x 100 cents No. of shares issued</p> <p>= $\frac{726\ 180}{120\ 000}$ ✓✓ x 100 cents ☑ See 4.4.2</p> <p>= 605,2 cents ☑ OR 605,15 OR R6,05</p>	<div style="border: 1px solid black; width: 40px; height: 20px; margin: 0 auto;"></div> <div style="border: 1px solid black; width: 40px; height: 20px; text-align: center; margin: 0 auto;">4</div>
4.5	<p>The directors feel that the liquidity position of the company has generally improved. Quote THREE financial indicators to support their opinion. Briefly explain.</p> <p>Three financial indicators ✓✓ ✓✓ ✓✓</p> <p>Possible answers:</p> <ul style="list-style-type: none"> • <i>Current ratio</i>: Dropped from 4,14 : 1 to 2,02 : 1. (although it dropped it is still satisfactory as your current assets are double the current liabilities) • <i>Acid-test ratio</i>: Dropped from 1,8 : 1 to 0,7 : 1 (below but the company is operating efficiently) • <i>Debtors' collection period</i>: Collection period improved from 30 to 28 days. • <i>Creditors' payment period</i>: increased from 40 to 60 days • <i>Stock turnover rate</i>: Stock is turning over at a faster rate from 3 to 3,5 times p.a. 	<div style="border: 1px solid black; width: 40px; height: 20px; margin: 0 auto;"></div> <div style="border: 1px solid black; width: 40px; height: 20px; text-align: center; margin: 0 auto;">6</div>

4.6	<p>One of the directors feels that the company should make more use of loans. Quote TWO financial indicators to support his opinion. Briefly explain.</p> <p>Valid explanation ✓✓ Financial indicators ✓✓</p> <ul style="list-style-type: none"> • The debt : equity ratio decreased from 1,3:1 to 0,3:1 • Return on capital employed increased from 35% to 41,6% • Shareholders' equity (R2 035 380) far exceeds the debt of this company (R580 000). • The interest rate is 15% p.a. and the return on capital employed is 41,6% in 2009 thus the returns are geared upwards. 	<div style="border: 1px solid black; width: 40px; height: 20px; margin: 0 auto;"></div> <div style="border: 1px solid black; width: 40px; height: 20px; margin: 0 auto; text-align: center;">4</div>
4.7	<p>As a major shareholder, you are very satisfied with the performance of the company. Explain, by quoting financial indicators to support your opinion. Comment on share price, returns, earnings and dividends.</p> <p>Valid explanation ✓ Financial indicator ✓</p> <p>The market price is 1 750 cents per share. This is higher than the net asset value as calculated at 1 696,5 cents per share ✓✓</p> <p>Return on shareholders' equity increased from 37,3% to 54,3% ✓✓</p> <p>Earnings per share increased from 712,3 cents to 830 cents ✓✓ Dividends per share decreased from 135 cents to 125 cents ✓✓ Dividend payout rate has dropped. Retaining more income</p>	<div style="border: 1px solid black; width: 40px; height: 20px; margin: 0 auto;"></div> <div style="border: 1px solid black; width: 40px; height: 20px; margin: 0 auto; text-align: center;">8</div>

75

5.2 **Comment on the stock control of each item, quoting figures to support your comment. In each case, offer Larry advice for the future.**

Each comment: one mark; quoting figures: one mark; advice: one mark.

Stock item	Comment and advice
<i>Mabona</i> TV sets	The stock is not selling well because new models are on the market. Too much stock on hand (360 units) compared to stock sales for the year (440 units). <i>Advice:</i> Reduce the price to clear the stock (cost is now R8 000) and stock new models. ✓✓✓
<i>Khuluma</i> Cellphones	The cellphones are selling well (2 250 sold) and the stock is relatively low (15 days). The control of stock is a problem (50 cellphones missing). <i>Advice:</i> Institute procedures to safeguard the stock e.g. special cabinets with one person controlling the keys. ✓✓✓
<i>Lalela</i> Radios	The radios are not selling well (only 10 per month) and they are low-profit items (R100 selling price). <i>Advice:</i> Discontinue selling the radios. It is not worth it. ✓✓✓

9

5.3 **Calculate the amount of VAT payable to/by SARS on 28 February 2009. Show ALL workings. Ledger accounts for VAT are not required, but you may use this to arrive at your answer.**

✓ ✓ ✓ ✓ ✓ ✓ ✓ ✓

$$R246\ 400 + 5\ 600 + 6\ 720 + 2\ 240 + 560 - (R114\ 240 + 3\ 360) = R143\ 920$$

OR

Input VAT = 246 400 + 5 600 = R252 000
 Output VAT = 114 240 – 6 720 – 560 + 3 360 – 2 240 = R108 080
 Difference = R143 920

VAT CONTROL			
Bank (Purchases)	✓246 400	Bank & Debtors' control	✓ 114 240
Bank (Equipment)	✓ 5 600	Sundry account	✓ 3 360
Debtors' control (Returns)	✓ 6 720	Balance	c/d ✓✓ 143 920
Sundry account (2 240 + 560)	✓✓ 2 800		
	<u>261 520</u>		<u>261 520</u>
Balance	b/d 143 920		

Indicate whether the amount is payable to or receivable from SARS.

The amount is owed by SARS to Laser Stores ✓✓

11

40

QUESTION 6

*Inspection

6.1	<p>Why is it a good idea to compare budgeted against actual figures?</p> <p>Any valid explanation ✓✓</p> <p>Possible responses:</p> <ul style="list-style-type: none"> • To reflect on whether your projected income and expenditure have been realistic • To improve future projections • To determine variances between projections and actual amounts (over-expenditure / income or under-expenditure/ income) • To be able to control income and expenditure on a monthly basis 	<div style="border: 1px solid black; width: 40px; height: 20px; margin: 0 auto;"></div> <div style="border: 1px solid black; width: 40px; height: 20px; margin: 0 auto; text-align: center;">2</div>
6.2.1	<p>Calculate the mark-up % that Mike actually achieved in September.</p> <p style="text-align: center;">✓ ✓ <input checked="" type="checkbox"/>*</p> <p style="text-align: center;">$132\ 000 / 240\ 000 \times 100 = 55\ %$</p>	<div style="border: 1px solid black; width: 40px; height: 20px; margin: 0 auto;"></div> <div style="border: 1px solid black; width: 40px; height: 20px; margin: 0 auto; text-align: center;">3</div>
6.2.2	<p>Mike feels that the business benefited from the price reductions. Quote figures from the question to support his opinion.</p> <p>Any valid explanation ✓ Quoting of figures ✓</p> <ul style="list-style-type: none"> • Even though the mark-up is less than budgeted for, the gross profit of R132 000 in September exceeded the budget of R120 000 (October: R137 500 exceeded R132 000). • Sales increased from R320 000 to R372 000. • Net profit increased from R81 450 to R98 050. 	<div style="border: 1px solid black; width: 40px; height: 20px; margin: 0 auto;"></div> <div style="border: 1px solid black; width: 40px; height: 20px; margin: 0 auto; text-align: center;">2</div>
6.3	<p>Over the past three months Mike has needed to contribute capital in order to settle the debts of the business. Explain why the Projected Income Statement will not help him in identifying the reasons for this problem.</p> <p>Good explanation = 2 marks; Satisfactory =1; Incorrect =0 ✓✓</p> <p>Cash problems will be identified in the Cash Budget. The Projected Income Statement reflects profit. Certain income items may not have been collected, while payments for debts are not reflected in the Projected Income Statement.</p>	<div style="border: 1px solid black; width: 40px; height: 20px; margin: 0 auto;"></div> <div style="border: 1px solid black; width: 40px; height: 20px; margin: 0 auto; text-align: center;">2</div>
6.4.1	<p>The business had a loan from Good Day Bank at an interest rate of 18% p.a. Calculate the amount owing on the loan on 1 September 2009.</p> <p style="text-align: center;">✓ ✓ ✓ <input checked="" type="checkbox"/>*</p> <p style="text-align: center;">$2\ 250 \times 100 / 18 \times 12 = R150\ 000$</p>	<div style="border: 1px solid black; width: 40px; height: 20px; margin: 0 auto;"></div> <div style="border: 1px solid black; width: 40px; height: 20px; margin: 0 auto; text-align: center;">4</div>

6.4.2	<p>How has this decision affected the profit he is earning? Quote figures to support your answer.</p> <p>Any three valid points: One mark each ✓ ✓ ✓ Quoting of figures: One mark each ✓ ✓ ✓</p> <p><i>Possible responses:</i></p> <ul style="list-style-type: none"> • Interest on the additional loan = R15 000 leads to decrease in profits • Saving on rent R24 000 p.m. • Rates are now being incurred R10 000 In October which decreases profits • Repairs and maintenance will be incurred in future and will lead to decreased profits. • Capital profit in the future on assets bought. 	<div style="border: 1px solid black; width: 40px; height: 20px; margin-bottom: 5px;"></div> <div style="border: 1px solid black; width: 40px; height: 20px; text-align: center; margin-bottom: 5px;">6</div>
6.5	<p>What is the main reason for the disappointing actual net profit in October? Provide a figure to support your answer.</p> <p style="text-align: center;">✓ ✓✓</p> <p>Fee income R56 000 is less than the budgeted figure of R96 000.</p>	<div style="border: 1px solid black; width: 40px; height: 20px; margin-bottom: 5px;"></div> <div style="border: 1px solid black; width: 40px; height: 20px; text-align: center; margin-bottom: 5px;">3</div>
6.6.1	<p>Calculate the percentage increase he granted the shop assistants in October 2009.</p> <p>$3\ 080 \checkmark / 28\ 000 \checkmark \times 100 = 11\% \boxtimes^*$</p>	<div style="border: 1px solid black; width: 40px; height: 20px; margin-bottom: 5px;"></div> <div style="border: 1px solid black; width: 40px; height: 20px; text-align: center; margin-bottom: 5px;">3</div>
6.6.2	<p>In your opinion, was this a correct decision for the business as a whole? Briefly explain, quoting evidence from the question.</p> <p>Yes / No ✓</p> <p>Evidence ✓✓</p> <p>If yes: The wage increase of 11% cost the business a lot less than the extra shop assistants would have, i.e. 40%.</p> <p>If no: The shop assistants will be required to accept a heavier workload without the additional assistants (this could demotivate them). Sales increase to R387 500 (R352 000 expected)</p>	<div style="border: 1px solid black; width: 40px; height: 20px; margin-bottom: 5px;"></div> <div style="border: 1px solid black; width: 40px; height: 20px; text-align: center; margin-bottom: 5px;">3</div>

6.7	<p>Debtors' collection schedule</p> <table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="width: 30%;"></th> <th style="width: 30%; text-align: center;">Budgeted credit sales</th> <th style="width: 40%; text-align: center;">October collections from debtors</th> </tr> </thead> <tbody> <tr> <td>August</td> <td style="text-align: center;">R210 000</td> <td>R16 800 ✓✓</td> </tr> <tr> <td>September</td> <td style="text-align: center;">R240 000</td> <td>R120 000 ✓✓</td> </tr> <tr> <td>October</td> <td>R264 000 ✓✓</td> <td>R100 320 ☑ ☑#</td> </tr> <tr> <td></td> <td># If 38% of credit sales</td> <td style="border-top: 2px solid black; border-bottom: 2px solid black;">R237 120 ☑*</td> </tr> </tbody> </table>		Budgeted credit sales	October collections from debtors	August	R210 000	R16 800 ✓✓	September	R240 000	R120 000 ✓✓	October	R264 000 ✓✓	R100 320 ☑ ☑#		# If 38% of credit sales	R237 120 ☑*	<div style="border: 1px solid black; width: 30px; height: 20px; margin: 0 auto;"></div> <div style="border: 1px solid black; width: 30px; height: 20px; margin: 0 auto; text-align: center;">9</div>
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	# If 38% of credit sales	R237 120 ☑*															
6.8	<p>Provide TWO figures from the information that indicate that Mike has not handled collection from debtors effectively.</p> <p style="text-align: center;">✓ ✓</p> <p>Bad debts R9 250 or R8 550 exceed budget</p> <p style="text-align: center;">✓ ✓</p> <p>Discount allowed R2 640 or R4 100 is below budget</p>	<div style="border: 1px solid black; width: 30px; height: 20px; margin: 0 auto;"></div> <div style="border: 1px solid black; width: 30px; height: 20px; margin: 0 auto; text-align: center;">4</div>															
6.9	<p>Apart from what has been mentioned in your previous answers, select TWO other operating expenses that Mike should investigate. Provide ONE point of practical advice in respect of each item.</p> <p>Good explanation = 2 marks; Satisfactory =1; Incorrect =0 ✓✓ ✓✓</p> <p>Any two operating expenses with valid discussions</p> <ul style="list-style-type: none"> • Telephone: Implement restrictions/code to restrict overuse of the telephone. • Consumable stores: Record usage of consumable stores/put a person in charge to avoid/reduce wastage or theft. • Advertising: Utilise the budget each month in order to maximise the effect on sales. Consider alternative forms of advertising that might be more effective e.g. brochures, special promotions, etc. • Security expenses: This cannot be compromised. It affects other expenses e.g. Trading Stock deficit. Assess the work done by the security company to ensure efficiency. • Trading stock deficit: Implement stricter control measures such as regular counts, security cameras, etc. • Depreciation: Assess the reason for the increase. If purchase of extras assets was properly authorised then this is a legitimate overrun. 	<div style="border: 1px solid black; width: 30px; height: 20px; margin: 0 auto;"></div> <div style="border: 1px solid black; width: 30px; height: 20px; margin: 0 auto; text-align: center;">4</div>															

45

TOTAL: 300