

CENTRE NUMBER

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EXAMINATION NUMBER

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NATIONAL SENIOR CERTIFICATE

ACCOUNTING

GRADE 12

FEBRUARY/MARCH 2010

SPECIAL ANSWER BOOK

QUESTION	MARKS	INITIAL	MOD.
1			
2			
3			
4			
5			
6			
TOTAL			

This answer book consists of 21 pages.

QUESTION 1

1.1 How can the preparation of a Debtors Collection Schedule assist in controlling debtors?

How can the preparation of a Debtors Age Analysis assist in controlling debtors?

4

1.2

DEBTORS COLLECTION SCHEDULE:				
Month	Credit sales	March 2010	April 2010	May 2010
	R	R	R	R
March 2010				

7

1.3 Calculate the debtors average collection period for the year ended 28 February 2010:

Explain whether Howie should be satisfied with this. Provide a reason for your opinion.

8

1.4 Explain FOUR points that you would include in your report. You must quote specific information from the Age Analysis of Debtors (TWO points) and from the Debtors Control account (TWO points) to support your answer.

Age Analysis of Debtors (TWO points)

Debtors Control account (TWO points)

12

1.5 How would these regulations influence Howie Furnishers in the granting of credit to clients? Explain TWO points.

4

TOTAL MARKS
35

QUESTION 2

- 2.1 Refer to Information 1. Briefly explain why it is appropriate for Paul to use the FIFO method for Golf clubs, and the Weighted Average method for Golf balls.

Golf clubs – FIFO

Golf balls – Weighted average

4

- 2.2 Calculation of value of closing stock of golf clubs (FIFO method):

Calculation of value of closing stock of golf balls (Weighted Average method):

15

2.3 Calculate cost of sales of golf clubs:

Calculate gross profit on golf clubs:

Calculate the VAT charged to customer on golf clubs sold

Calculate the mark-up % on golf clubs:

14

2.4 Calculation regarding lack of popularity of the golf clubs:

Calculation regarding theft of the golf balls:

6

2.5 Explain THREE strategies that you would want to implement in this business were you to become a partner.

6

TOTAL MARKS
45

QUESTION 3**3.1 KANELA LIMITED
BALANCE SHEET ON 28 FEBRUARY 2010**

ASSETS	
Non-current assets	
Current assets	
TOTAL ASSETS	
EQUITY AND LIABILITIES	
Ordinary shareholders' equity	
Non-current liabilities	
Current liabilities	
TOTAL EQUITY AND LIABILITIES	

3.2.1 The Managing Director, Jan Kriel, currently owns 45% of the issued shares. The board of directors has decided to issue the unissued shares to the public. Jan wants to use this opportunity to gain control of the company.

How many shares will Jan have to buy to gain control of the company?

3

3.2.2 Jan plans to purchase the shares himself at par value without advertising them to the public. The current market price of a share is R3,10. If you were a shareholder in this company would you be satisfied with this arrangement? Explain.

5

3.3.1 Explain why large companies like Kanela Ltd are expected to be involved in such projects.

3

3.3.2 Explain how the directors should reflect these projects in the annual report which is published for shareholders.

3

3.4.1 What is the purpose of an independent audit report and who is it addressed to?

Purpose:

Addressed to:

3

3.4.2 Explain the difference between a *qualified* and an *unqualified* audit report.

4

3.4.3

The independent auditors want to qualify the report. List **THREE** consequences there could be for the company or its directors.

3

TOTAL MARKS
65

QUESTION 4

4.1.1

Identify **ONE** major item of each of the following in a manufacturing business:

Factory overhead costs

Selling and distribution costs

2

4.1.2

The unit cost of production for suitcases

Variable cost per unit for suitcases

8

4.1.3

Calculate the break even point for the suitcases.

5

4.1.4 Identify TWO costs which have NOT been well controlled in respect of suitcases during this financial year. Quote appropriate figures to support your answer. In each case provide a possible solution to this trend.

Identify costs and quote figures	Solution

8

4.1.5 Phillip is considering producing only one line instead of the current two. Advise Phillip about whether he should retain the manufacturing of suitcases or sports bags. Provide appropriate figures from the question to support your answer.

7

TOTAL MARKS
30

QUESTION 5

5.1

General Ledger of Zee Limited

Final Accounts Section

APPROPRIATION ACCOUNT

2010 Feb 28			2010 Feb 28		

5.2

ZEE LIMITED**CASH FLOW STATEMENT FOR THE YEAR ENDED 28 FEBRUARY 2010**

Cash effects of operating activities	
Cash generated from operations	878 600
Interest paid	(78 750)
Dividends paid	(280 000)
Income tax paid	
Cash effects of investing activities	
Purchase of fixed assets	
Proceeds of sale of fixed assets	1 047 000
Proceeds of financial assets matured	
Cash effects of financing activities	
Proceeds of issue of shares	
Repayment of long-term loan	
Net change in cash and cash equivalents	
Cash equivalents – beginning of year	(922 000)
Cash equivalents – end of year	

5.3.1 Rate of stock turnover

4

5.3.2 Debt/Equity Ratio

3

5.3.3 % Return on average shareholders' equity

5

5.4 The Cash Flow Statement reflects some important decisions that have been taken by the directors during the current financial period.

State THREE of these decisions and explain the effect on the company. Quote figures to support your answer.

9

5.5

One of the directors is of the opinion that the company should make more use of loans. Do you agree? Quote TWO relevant financial indicators to support your answer.

5

5.6

The directors feel that the shareholders should be satisfied with the performance of the company. Do you agree? Comment on the dividends, earnings and % return earned by the shareholders in the 2010 financial year. Quote financial indicators (actual ratios or percentages) to support your answer.

Yes/No: _____

Dividends:

Earnings:

% Return:

10

TOTAL MARKS
70

QUESTION 6

6.1.1 Calculation of monthly salary paid to each hair stylist:

2

6.1.2 Calculation of the % increase in wages that the cleaner will receive during the projected period:

2

6.1.3 Calculation of % interest rate on the fixed deposit:

4

6.1.4 Calculation of rental per square metre:

Calculation of number of additional square metres Helen will rent from 1 May 2010:

4

6.2 Provide four comments that you would include in your internal auditor's report in respect of scenarios A, B, C and D below.

A	Comment on telephone:
B	Comment on water and electricity:
C	Comment on fee-income and consumable stores:
D	Comment on sale of hair products, cost of sales and gross profit:

10

6.3.1 Calculation of the cost of the new vehicle which Helen plans to purchase on 1 May 2010:

4

6.3.2

ASSET DISPOSAL					

10

6.3.3 State the effect that the following expenses will have on the expected profits of the business due to the purchase of the new equipment. Provide calculations/figures to support your answer.

- Interest on loan

- Depreciation

- Maintenance

8

6.3.4 Helen is thinking of purchasing the business premises rather than renting them. Explain ONE major advantage and ONE major disadvantage of this option, with specific reference to the effect that the purchasing of the premises would have on projected profits.

Advantage:

Disadvantage:

2

6.3.5 Explain whether Helen has acted responsibly in the decisions she has taken/planned regarding the equipment and vehicles.

Equipment:

Vehicles:

4

6.4 Helen is not sure if she has made the right decision to give up her previous job many years ago and to invest R800 000 in this business. Refer to the projected monthly profit for this period. Based on these projections, what is your opinion on the decision which Helen took? Explain.

5

TOTAL MARKS
55

TOTAL: 300