



education

Department:
Education
REPUBLIC OF SOUTH AFRICA

**NATIONAL
SENIOR CERTIFICATE**

GRADE 12

ACCOUNTING

ANSWER BOOK

PREPARATORY EXAMINATION 2008

NAME OF LEARNER: _____

QUESTION	MAX.	EXAMINER	MODERATOR
1	40		
2	70		
3	70		
4	45		
5	45		
6	30		
TOTAaL	300		

This answer book consists of 17 pages.

QUESTION 1

1.1	Does Umlazi Traders have a favourable bank balance or an overdraft? Give a reason for your answer.	<table border="1"><tr><td> </td></tr><tr><td>2</td></tr></table>		2
2				
1.2	Calculate the missing bank balance in the General Ledger of Umlazi Traders on 30 April 2008. State whether this is a favourable or unfavourable balance.	<table border="1"><tr><td> </td></tr><tr><td>6</td></tr></table>		6
6				
1.3.1	Briefly explain what the problem is with cheque No. 123.	<table border="1"><tr><td> </td></tr><tr><td>3</td></tr></table>		3
3				
1.3.2	What entries would the bookkeeper have to make during May 2008 to deal with cheque No. 123?	<table border="1"><tr><td> </td></tr><tr><td>2</td></tr></table>		2
2				

1.7 1.7.1	Points you would give in a report to the chief accountant: What do you suspect is the cashier doing illegally which is resulting in these very large outstanding deposits?	<input type="text"/> <input type="text"/> 3
1.7.2	Discuss THREE internal control measures that could be implemented in the accounting department to avoid any further problems of this type occurring.	<input type="text"/> <input type="text"/> 6
1.7.3	Discuss TWO steps that could be taken should your suspicions of illegal actions by the cashier be confirmed.	<input type="text"/> <input type="text"/> 4

2.2.3	Discuss ONE reason why shareholders would be: <ul style="list-style-type: none">▪ Happy with the dividend policy of this company ▪ Unhappy with the dividend policy of this company Quote financial indicators to support your answer.	<table border="1"><tr><td> </td></tr><tr><td>4</td></tr></table>		4
4				
2.3	Clarens Ltd shares are currently being traded on the stock exchange at R0,85 per share and the net asset value is R0,62 per share. The directors have decided to issue the remainder of the authorised shares at R0,75 each. Would you be willing to purchase additional shares at this price? Justify your answer by giving TWO reasons.	<table border="1"><tr><td> </td></tr><tr><td>5</td></tr></table>		5
5				

2.4 Cash Flow Statement for Clarens Ltd for the year ended 29 February 2008

43

	Nota	
Cash flow from operating activities		
Cash from activities	1	
Interest paid		
Dividends paid		
Income tax paid		
Cash flow from investment activities		
Cash flow from financing activities		
Net change in cash equivalents		
Cash & cash equivalents at the beginning of the year		
Cash & cash equivalents at the end of the year		

Notes to the cash flow statement:

1. Reconciliation between profit before tax and cash and cash obtained from activities:

Net profit before tax	
Paid up for:	
Operating profit before change in operating capital	
Change in operating capital:	
Increase in	
Decrease in	
Increase in	
Cash obtained from activities	

70

QUESTION 3

3.1.1

**GENERAL LEDGER OF SIKA LIMITED
FINAL ACCOUNTS SECTION
APPROPRIATION ACCOUNT**

Dt				F3				Kt

12

3.1.2	<p>Comment on the liquidity position of the company in 2008 in comparison to 2007 by quoting THREE financial indicators in your answer.</p>	<table border="1"> <tr> <td></td> </tr> <tr> <td>6</td> </tr> </table>		6
6				
3.1.3	<p>Make TWO recommendations to the directors as to how the liquidity position can be improved.</p>	<table border="1"> <tr> <td></td> </tr> <tr> <td>4</td> </tr> </table>		4
4				

3.1.4

SIKA LIMITED
BALANCE SHEET AS AT 30 JUNE 2008

ASSETS	
Non-current assets	
Tangible assets	
Financial assets	
Fixed deposit at North West Bank	
Current assets	
Inventory	259 200
Trade and other receivable amounts	
Cash and cash equivalents	
TOTAL ASSETS	
EQUITY AND LIABILITIES	
Ordinary shareholders equity	
Ordinary share capital	
Share premium	
Retained income/distributable reserves	
Non-current assets	
Mortgage loan: GP Bank	
Current assets	
Trade and other payable amounts	
Bank overdraft	
TOTAL EQUITY AND LIABILITIES	

3.2.1	Who is responsible for ensuring that the financial statements are prepared?	<table border="1"><tr><td> </td></tr><tr><td>2</td></tr></table>		2
2				
3.2.2	Who is the main group of people the auditors are addressing the auditor's report to and why is the report addressed to this group?	<table border="1"><tr><td> </td></tr><tr><td>3</td></tr></table>		3
3				
3.2.3	The auditor's report refers to the International Financial Reporting Standards (IFRS). Explain why auditors have to take IFRS into account when expressing their opinion.	<table border="1"><tr><td> </td></tr><tr><td>2</td></tr></table>		2
2				
3.2.4	Should the shareholders be satisfied with the auditor's report? Give ONE reason for your answer.	<table border="1"><tr><td> </td></tr><tr><td>3</td></tr></table>		3
3				
3.2.5	If the auditors fail to carry out their audit duties properly there could be severe consequences for them. Discuss TWO benefits to the directors/shareholders of SIKA Ltd of the fact that all the auditors have to belong to a professional body.	<table border="1"><tr><td> </td></tr><tr><td>4</td></tr></table>		4
4				

4.2.1	How would you respond to Terry's comment in the last sentence about 'this is a lot of nonsense'?	<table border="1"> <tr><td> </td></tr> <tr><td>3</td></tr> </table>		3
3				
4.2.2	If you bought this business from Terry, what would you do differently? Explain TWO points and give ONE reason for each point.	<table border="1"> <tr><td> </td></tr> <tr><td>6</td></tr> </table>		6
6				
4.2.3	Based on the information contained in this article, how much output VAT should Terry have declared to SARS for the last 6 months? Write down a calculation to support your answer.	<table border="1"> <tr><td> </td></tr> <tr><td>4</td></tr> </table>		4
4				
4.2.4	As the accountant will you go along with this suggestion? Motivate your response by giving TWO reasons for your decision.	<table border="1"> <tr><td> </td></tr> <tr><td>5</td></tr> </table>		5
5				

45

QUESTION 5

5.1.1 NERD MANUFACTURERS

Production Cost Statement for the year ending 31 August 2008.

DIRECT COST	
Factory overhead costs	
Production costs for finished goods	

**Note to Financial Statements
Factory overheads costs**

5.1.2	The owner, D Dunn, is of the opinion that employees are not using the raw materials very effectively or tracksuits are being stolen in the factory. Recommend TWO internal control measures that could be implemented by management to solve these problems.	<table border="1"> <tr><td> </td></tr> <tr><td>4</td></tr> </table>		4
4				

5.2 Soweto Shoe Factory

5.2.1	Calculate the unit cost of production.	<table border="1"> <tr><td> </td></tr> <tr><td>3</td></tr> </table>		3
3				
5.2.2	Calculate the number of pairs of shoes that must be produced and sold to break even.	<table border="1"> <tr><td> </td></tr> <tr><td>10</td></tr> </table>		10
10				

45

QUESTION 6

6.1	Calculate the figures:	
(a)	November 2008 Cash sales	<input type="text"/> 2
(b)	October 2008 Cash purchases of trading stock	<input type="text"/> 2
(c)	November 2008 Debtors' collection	<input type="text"/> 7
(d)	October 2008 Payment to creditors	<input type="text"/> 5
(e)	Bank balance of The Smart Store at the end of November 2008	<input type="text"/> 2

6.2.1	Refer to the item Fixed Deposit (1 November), as shown in the Receipts section of the Cash Budget. Explain what is expected to happen with regard to the fixed deposit on 1 November 2008.	<input type="text"/> <input type="text"/>
6.2.2	The Smart Store plans to purchase equipment during the budget period. Study the Cash Budget in order to calculate the total expected cost price of this equipment.	<input type="text"/> <input type="text"/>
6.2.3	<p>The sales assistant has complained to Mrs Reddy about her proposed salary increase in November 2008.</p> <ul style="list-style-type: none"> ▪ Give ONE argument to support her opinion. ▪ Give ONE argument against her opinion. 	<input type="text"/> <input type="text"/>
6.2.4	Provide ONE point of advice to Mrs Reddy in this respect.	<input type="text"/> <input type="text"/>

30

TOTAL: 300