

CENTRE NUMBER

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CANDIDATE'S EXAMINATION NUMBER

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NATIONAL SENIOR CERTIFICATE

ACCOUNTING

GRADE 12

ADDITIONAL EXEMPLAR 2008

SPECIAL ANSWER BOOK

QUESTION	MARKS	INITIAL	MODERATOR
1			
2			
3			
4			
5			
6			
TOTAL			

This answer book consists of 16 pages.

QUESTION 1

1.1

Briefly explain what is meant by the following:

- **Share capital**
- **Share premium**
- **Retained income**

6

1.2

Calculate the correct net profit before tax for the year.

6

1.3

B4. SARS (INCOME TAX)

11

1.5

Consider the complaint by Mary Moosa regarding Bhengu's directors' fees. Do you agree with her? Explain.

Consider the complaint by Ken Kelly. Is Bhengu's response acceptable? What else could he have said?

8

TOTAL MARKS
50

QUESTION 2

2.1

TOPICAL LTD.
BALANCE SHEET AT 30 JUNE 2008

ASSETS		
NON-CURRENT ASSETS		
Fixed/Tangible assets		
Financial assets		
CURRENT ASSETS		
Inventories		
Trade and other receivables		
Cash and cash equivalents		
TOTAL ASSETS		
EQUITY & LIABILITIES		
CAPITAL & RESERVES		
Ordinary share capital		
Ordinary share premium		
Retained income		
NON-CURRENT LIABILITIES		
Loan from Lowveld Bank		
CURRENT LIABILITIES		
Trade and other payables		
Current portion of loan		
Shareholders for dividends		
TOTAL EQUITY & LIABILITIES		

43

2.2 Auditing:

	2.2.1	Briefly explain the difference in the work done by the internal auditor and the independent (external) auditor.
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3

2.2.2	Briefly explain how an auditor should check that the figures shown for equipment and stock in the financial statements are reasonable.	3
2.2.3	What should the independent auditor do if he feels that the value for equipment is not reasonable?	3
2.2.4	The independent auditor is aware that a new model television is now on the market. He knows that the TVs in stock at Topical Ltd cannot be sold at their normal selling price, and they probably would not be sold at their cost price either. What advice do you have for the business? Explain.	3

TOTAL MARKS
55

QUESTION 3

3.1

NOTES TO THE BALANCE SHEET OF MACKIE LTD AS AT 29 FEBRUARY 2008

TANGIBLE ASSETS/FIXED ASSETS	VEHICLES	EQUIPMENT
Carrying value at beginning of year	370 000	*
Cost	480 000	390 000
Accumulated depreciation	*	(130 000)
Movements		
Additions at cost	*	0
Disposals at carrying value	0	(32 375)
Depreciation for the year	*	(36 375)
Carrying value at end of year	*	*
Cost	630 000	*
Accumulated depreciation	*	*

15

ASSET DISPOSAL

2007 Aug.	31	Equipment	80 000	2007 Aug.	31		
						Debtors' control	

5

3.2 NOTES TO THE CASH FLOW STATEMENT FOR THE YEAR ENDED 29 FEBRUARY 2008

1.	Reconciliation between profit before taxation and cash generated from operations	
	Profit before taxation	
	Adjustment in respect of:	
		□
		□
		□
	Changes in working capital	
		□
		□
		□
	Cash effects of operating activities	□

15

CASH FLOWS FROM FINANCING ACTIVITIES	
	□
	□
	□

10

INCOME TAX PAID	

4

3.3 Calculate the price at which the new shares were issued on 1 March 2007.

4

3.4 Calculate the following correct to ONE decimal place on 29 February 2008:

- Net asset value per share

- Return on average ordinary shareholders' equity

- Return on average total capital employed

12

3.5

Some of the shareholders have issued a vote of no confidence in the directors regarding the performance and financial decisions made in the last year. Do you think they are justified in their decision? Quote at least THREE figures/financial indicators to support your answer.

10

TOTAL MARKS
75

QUESTION 4**4.1 PRODUCTION COST STATEMENT OF TASTY DOG TREATS (PTY) LTD
FOR JULY 2008**

	TOTAL
Direct materials cost	
Direct labour cost	
Prime cost	
Factory overhead cost	
Total cost of production	
Work-in-process on 1 July 2008	0
Work-in-process on 31 July 2008	(0)
Cost of producing 30 000 finished boxes of dog pellets	

30

**4.2 INCOME STATEMENT OF TASTY DOG TREATS (PTY) LTD FOR JULY
2008**

	TOTAL
Sales (30 000 units sold)	
Cost of sales	
Gross profit	
Other operating costs	
Administration cost	
Selling & distribution cost	
Net profit	

23

4.3.1 Calculate the unit cost of producing a complete box of tasty dog Pellets in July 2008. (Show workings to earn marks.)

4.3.2 Give TWO reasons why using a local supplier is likely to reduce the unit cost.

→

→

23

4.3.3 By doubling production to 60 000 units during August 2008 the profit made will more than double. Briefly explain why

4.4.1 Explain how the break-even point is calculated.

4.4.2 Comment on the break-even point of 17 361 units

TOTAL MARKS
65

5

QUESTION 5

5.1 Calculate the value of the closing stock using the FIFO method.

7

5.2 Calculate the gross profit made on the stock if the FIFO method is used.

7

5.3 Dean has been told that he would make a larger gross profit if he used the weighted average method of valuing his stock. However, he feels it will make no difference to the overall profits of the business over a period of time. Do you agree? Explain your answer. You are not required to make any calculations.

4

5.4

Dean is concerned, as the gross profit has decreased from last year. Discuss ONE possible reason for this based on the information given to you and provide a possible solution to this problem.

6

5.5

Dean heard from a friend of his who did accounting at school that he should use the perpetual stock system instead of the periodic stock system. He is confused and has asked you for advice in this matter. Explain the difference to him and give him advice on which method he should use.

6

TOTAL MARKS
30

QUESTION 6

6.1 What is the difference between output VAT and input VAT?

Output VAT –

Input VAT –

4

6.2 At what rate is VAT currently being charged in South Africa?

2

6.3 Is the current rate of VAT being charged on all goods in South Africa? Explain.

5

6.4 Calculate the amount owing to SARS by George Gummy.

10

6.5 Advise George as to whether he should accept the offer. Explain briefly.

4

TOTAL MARKS
25

TOTAL: 300