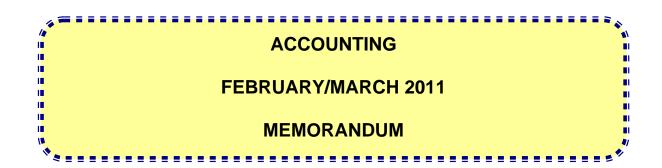


# basic education

Department: Basic Education **REPUBLIC OF SOUTH AFRICA** 

NATIONAL SENIOR CERTIFICATE

**GRADE 12** 



**MARKS: 300** 

This memorandum consists of 16 pages.

Please turn over

# 1.1 Explain why a business needs to prepare a Cash Budget every year.

Any valid explanation  $\checkmark\checkmark$ 

A business needs to plan for future receipts and payments in order to ensure that they have enough cash or to arrange for an overdraft/loan.

**1.2** Calculate the figures indicated by A – E in the cash budget.

А	R123 000 ✓
В	R168 000 ✓
С	(R250 000) ✓
D	R168 000 ✓
Е	(R82 000) ✓

1.3 The rent income increased by 8% from 1 January 2011. Calculate the rent income figure for January 2011.

9 000 ✓ x 1,08% ✓ = R9 720 ✓

1.4 Calculate the percentage increase granted to the employees from 1 January 2011.

 $4\ 200\ \checkmark\ /\ 105\ 000\ \checkmark\ x\ 100 = 4\%\ \checkmark$ 

In your opinion, will the employees be satisfied with this increase? Briefly explain.

Yes/No ✓

Any valid explanation ✓✓

Example: This increase of 4% is lower/higher than the inflation rate.

2

5

1.5 As the internal auditor you discover that the actual motor vehicle expenses for December 2010 were R5 420. Name TWO points that you would include in your internal auditors' report to Alfred. TWO valid points  $\checkmark \checkmark \checkmark \checkmark$ Possible answers: The actual motor expenses for December of R5 420 exceeded the budgeted amount of R4 000. A difference of R1 420. Alfred needs to investigate the use of the vehicles in order to ensure that these vehicles are used responsibly. Alfred needs to ensure that the vehicles are serviced regularly in Δ order to avoid breakdowns and other related expenses. 1.6 Calculate the interest payable to Eastbank in February 2011. 139 500 x 80% = 111 600 ✓ ✓ x 11% ✓ / 12 ✓ = R1 023 ☑ Calculate the monthly repayments of the capital portion of the loan to Eastbank. 111 600 ☑ / 36 months ✓ = R3 100 ☑ 8 1.7 Calculate the expected receipts from debtors for January 2010. R225 000 ✓ / 75% ✓

= R300 000

R300 000 ☑ x 25% ✓ = R75 000 ☑ x 95% ✓ = R71 250 ☑

TOTAL MARKS
35

2.1 SA Traders requires their new customers to provide personal details, including proof of residence, before opening accounts. Briefly explain why this is necessary. (Name TWO points.)

Any TWO valid points  $\checkmark \checkmark$ 

Possible explanation:

- It is essential for a business to know the addresses so that they can send statements promptly to debtors to ensure that they pay on time.
- If any debtors do not settle their accounts it will be necessary for the business to take legal action against them in which case the addresses will be essential in order to serve the legal documents on them.
- The National Credit Act requires a business to check whether a
  potential debtor can afford to purchase on credit. Addresses are part
  of the personal history of the customer.

4

### 2.2 Prepare the correct Debtors' List on 31 August 2010.

Debtors' List on 31 August 2010	R
Sunnyside Traders (17 600 ✓ + 165 ✓ + 2 310 ✓ + 13 200 ✓)	√33 275
Thembisa Traders (55 473 ✓ – [3 080 ✓ + 3 080 ✓] – 13 200 ✓ + 350 ✓	√36 463
Tildai Suppliers (3 400 ✓ – 2 124 ✓)	✓ 1 276
Mondo Stores (660-660)	✓✓ Nil
	<b>⊠71 014</b>

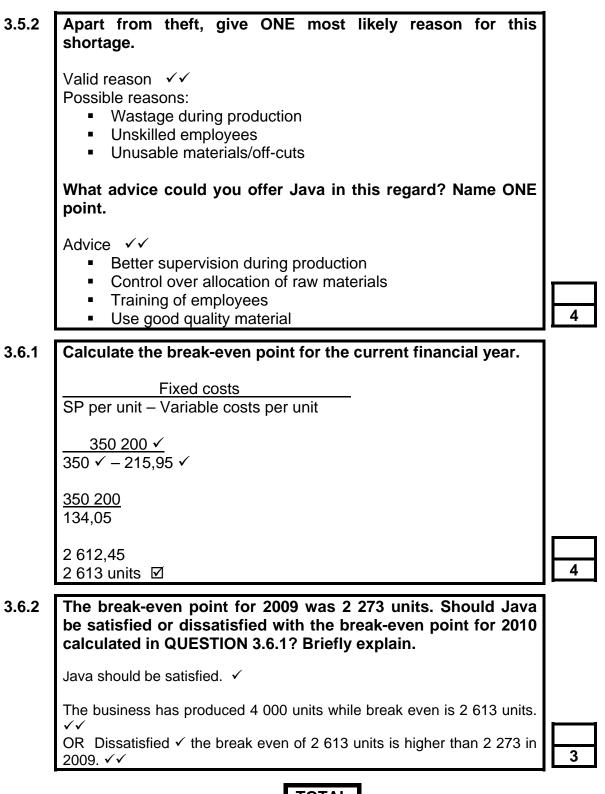
List of adjustments to Debtors' Control Account

Amount	Account debited	Account credited
R165 ✓	Debtors' control ✓	Interest income 🗸
R2 310 ✓	Debtors' control ✓	VAT output/control 🗸
R2 124 ✓	Creditors' control 🗸	Debtors' control ✓



I	TOTAL MARKS	
I		
ĺ	30	

QUES	TION 3	
3.1	3.1.1 True ✓✓ 3.1.2 False ✓✓	
	3.1.3 False √√	
	3.1.4 True √√	·
	3.1.5 False √√	10
3.2.1	Calculate the value of raw materials on hand on 28 February 2010 using the FIFO method.	
	$105\ 600\ \checkmark + (2\ 100\ \checkmark \checkmark \ \text{R42}\ \checkmark) = 193\ 800\ \checkmark$	5
3.2.2	Calculate the value of raw material cost that would appear in	
	the Production Cost Statement.	
	21 000 ✓ + 490 600 ✓ - 193 800 ☑ = 317 800 ☑	4
3.3	Calculate the value of direct-labour cost that would appear in the Production Cost Statement for the year ended 28 February 2010.	
	Normal time = $5 \times 5\ 000 \times 12 =$ R300\ 000 \checkmark \checkmark         Overtime = $180 \times 70 \times 5 =$ R63\ 000 \checkmark \checkmark         UIF + Pension = $300\ 000 \times 11\%$ R33\ 000 \checkmark \checkmark         R396\ 000 \vertex       R 396\ 000 \vertex	7
3.4.1	Calculate the total production cost of finished goods.	
	317 800 ⊠ +396 000 ⊠ + (67,55 ✓ x 4 000 ✓)	
	= R984 000 ☑	5
3.4.2	Calculate the unit cost of production (per raincoat).	
	R984 000 ☑ / 4 000 ✓ = R246 ☑	3
3.5.1	Identify the number of metres of raw material fabric that	
	appear to be missing.	
	9 100 ✓ – (1,8 ✓ X 4 000 ✓) = 1 900 metres ✓ ☑	5



TOTAL MARKS	
50	

4.2

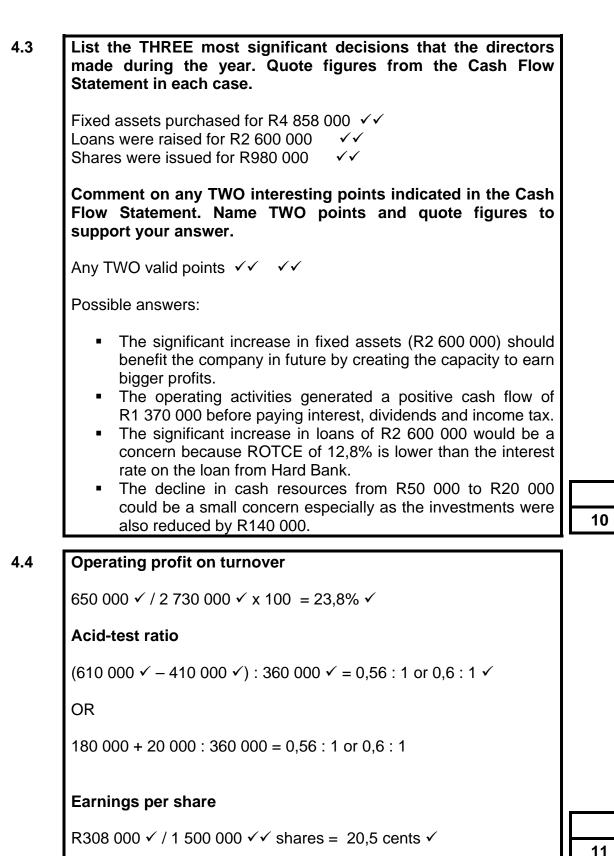
### **QUESTION 4.1**

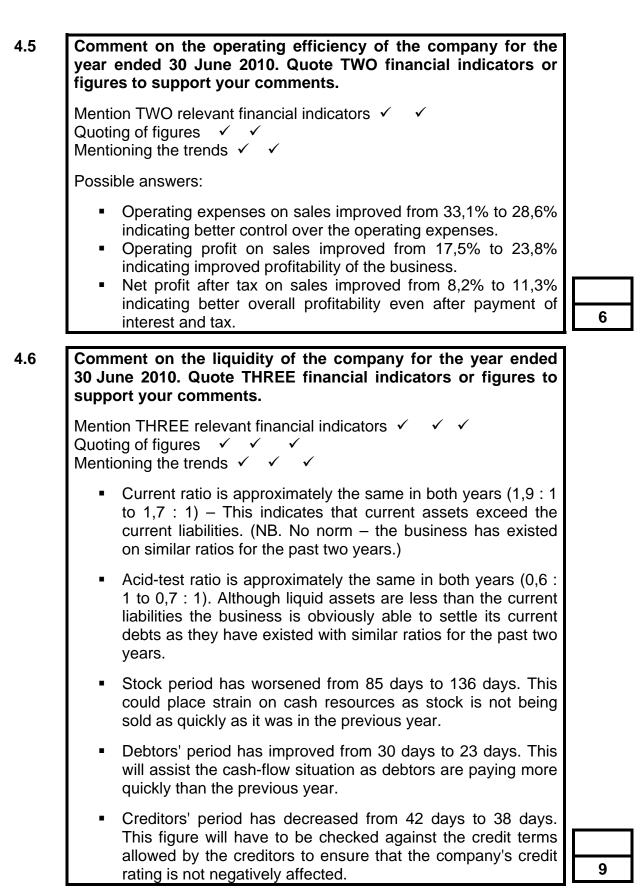
Choose a des in COLUMN A		COLUMN B that matches a concept
COLUMN	COLUMN	1
4.1.1	C </th <th></th>	
4.1.2	D </td <th></th>	
4.1.3	B √√	
4.1.4	A √√	1
		]

General Ledger of Manic Limit	ed
Asset Disposal Account	

2010 March	1	Equipment 🗸	<b>√√</b> 492 000	2010 March	1	Accumulated depreciation on equipment ✓	☑☑ 122 000
						Bank 🗸	<b>√</b> √ 370 000
			492 000				492 000

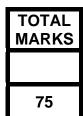
9





4.7 Comment on the returns, earnings and dividends earned by the shareholders for the year ended 30 June 2010. Quote THREE financial indicators or figures to support your comments. Mention THREE relevant financial indicators ✓ Quoting of figures  $\checkmark$ Mentioning the trends  $\checkmark$ EPS improved from 18 to 20,5 cents per share. DPS improved from 12 to 26 cents per share. Although these indicators represent an improvement, the shareholders will be concerned that the company paid out more dividends than what was earned. This means that the company is not retaining any of its current profits for future expansion. ROSHE improved from 7,2% to 8,6%. Although there was an improvement this return does not exceed returns on alternative 9 investments and will therefore not satisfy the shareholders. 4.8.1 Explain your opinion on the attendance of shareholders at the AGM. Good answer = 3 marks; satisfactory answer = 2 marks; poor answer = 1 mark; incorrect answer = 0 marks  $\sqrt{\sqrt{2}}$ Expected response: The shareholders should all try to attend the AGM or at least appoint a proxy to make decisions on their behalf at the AGM. The shareholders appoint the directors and the directors make the dayto-day decisions. When shareholders do not attend the AGM they are effectively handing over more control to the directors. 3

4.8.2	What is meant by a <i>qualified audit report</i> ? Explain.					
	Expected response: VV					
	The independent auditors are specifically drawing attention to an aspect of the financial statements that is of major concern to them.					
	How does this type of report affect the company and the shareholders? Explain.					
	Expected response: ✓✓					
	The shareholders will not be able to rely on certain aspects of the financial statements when making their decisions about their investment in the company. The company will get a bad reputation and this will affect their ability to raise further capital or business in future.					
	Why did the independent auditors issue a qualified report in respect of this asset? Explain.					
	Expected response: ✓✓					
	The auditors are obviously not happy that this is a genuine business asset. The purchase has affected the loans that have been raised and this has an effect on the profits earned. The directors have misrepresented this asset in the balance sheet and in the directors'					
	report. The directors are receiving a benefit from this asset which should be declared in the financial statements and might have tax implications.	6				
4.8.3	Explain why several of the shareholders would think that the long-term prospects of the company are being threatened. Mention corporate governance in your answer.					
	Expected response: $\checkmark \checkmark \qquad \checkmark \checkmark$ A significant asset has been purchased that is apparently not going to benefit the company in future – loans have been raised to finance this and interest will have to be paid on those loans.					
	The CEO has been granted a 60% increase in his remuneration					
	despite the fact that the company has not performed extraordinarily well over the past years. It could be that the CEO is manipulating the remunerations committee to support his own agendas.	4				
	TOTAL					



5.1

# General Ledger of Headwork Limited SARS (INCOME TAX)

2009 Oct	30	Bank √		✓ 11 000	2009 Oct	1	Balance	b/d	✓ 11 000
		Bank ✓		✓ 115 000	2010 Sept	30	Income tax $\checkmark$		✓ 243 600
		Bank ✓		☑ 109 200					
		Balance	c/d	✓ 19 400					
				254 600	$\square$				254 600
					2010 Oct	1	Balance	b/d	☑ 19 400

12

### 5.2.1 NOTES TO THE BALANCE SHEET

#### Note 1. Retained income

Balance at the beginning of the year	√960 000	
Net profit after tax ✓	√626 400	
Dividends for the year $\checkmark$	⊠(292 000)	
Interim	√112 000	
Final 900 000√ x 20c√	<b>√180 000</b>	<b></b>
Balance at the end of the year	⊠1 294 400	10

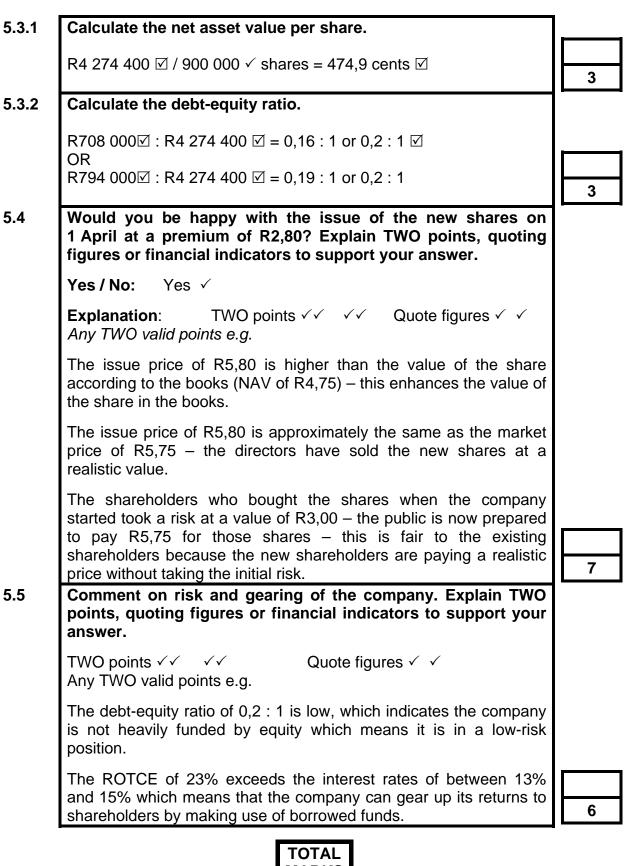
Note 2. Trade and other payables

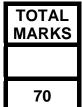
Trade creditors	√87 500	
Expenses payable (accrued)	√50 400	
Income received in advance (Deferred income)	√√√8 720	
SARS (Income tax)	⊠19 400	
Shareholders for dividends	⊠180 000	
	⊠346 020	8

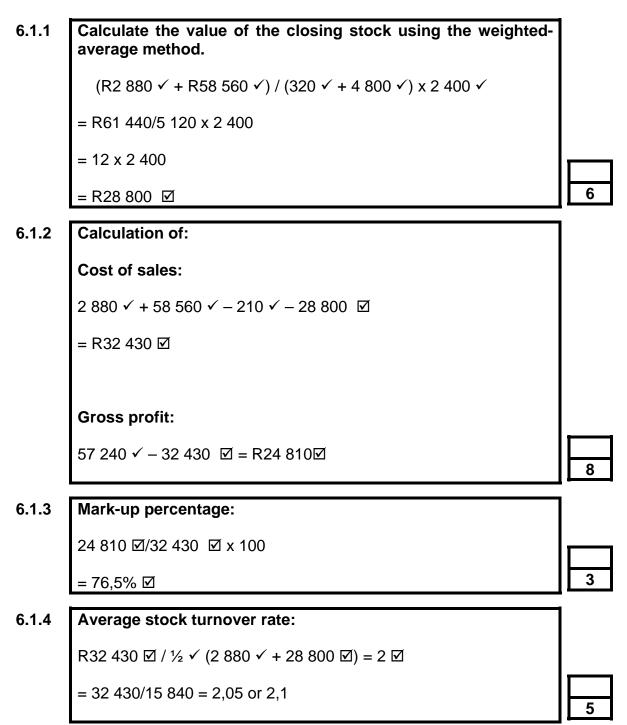
### 5.2.2

## **BALANCE SHEET ON 30 SEPTEMBER 2010**

ASSETS		R	
Fixed assets		4 606 000	
Current assets		846 900	
TOTAL ASSETS		5 452 900	
EQUITY AND LIABILITIES			
Shareholders' equity		☑ 4 274 400	
Ordinary share capital 900 000 √x R3,00√		√2 700 000	
Share premium 100 000√ x R2,80√		√280 000	
Retained income	Note 1	☑ 1 294 400	
Non-current liabilities		☑708 000	
Loan from City Bank		708 000	
880 000√ + 103 600√ - 189 600√ - 86 000√			
Current liabilities		√√470 500	
Trade and other payables	Note 2	⊠346 020	
Current portion of loan (may be shown in Note 2)		✓⊠86 000	
Bank overdraft		☑☑38 480	
TOTAL EQUITY AND LIABILITIES		√5 452 900	┢

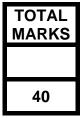






### 6.2

Product	Problem identified	Suggestions	
Energy	Overestimated demand (led to high	Any ONE valid	
drinks	stock level) 🗸 🗸	recommendation 🗸	
	High markup 🗸 🗸		
		Reduce the mark-up %	
	High level of closing stock (2 400	(or offer discounts) to	
	units), value R28 800.	increase sales volume	
		and thereby reduce the	
	All orders were satisfied (2 700 units)	stock levels.	
	which indicates that demand was overestimated.	Order only what is	
	overestimated.	Order only what is	
	High mark-up % (74,9%) led to lower	required.	
	than expected demand.		6
Energy	Stock stolen $\checkmark \checkmark$	Any ONE valid	
bars	Low level of stock on hand $\checkmark\checkmark$	recommendation VV	
	Lack of control over stock (4 000	Implement internal	
	units missing).	control measures over	
		the stock to avoid theft,	
	Low value of stock on hand (4 days);	e.g. regular stock	
	means future orders might not be	counts, documentation,	
	satisfied.	division of duties.	6
Caps	Working days mentioned 🗸	Any ONE valid	
	Lack of stock to satisfy orders $\checkmark\checkmark$	recommendation $\checkmark$	
	Cathy worked only 180 days out of	Cathy's attendance at	
	the 240 available days.	work must be monitored	
	Due to her absence and the lack of	and the ordering of stock needs to be	
	available stock Cathy has not taken	planned better.	
	advantage of all the orders that were	plained better.	
	received (only supplied 3 500 units		
	compared to 7 000 ordered). This		
	means that gross profit could have		
	been doubled.		6
		1	



**TOTAL: 300**