

CENTRE NUMBER

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CANDIDATE'S EXAMINATION NUMBER

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SENIOR CERTIFICATE EXAMINATION

MAY/JUNE 2008

DEPARTMENT OF EDUCATION

ACCOUNTING HIGHER GRADE

SPECIAL ANSWER BOOK

This answer book consists of 18 pages.

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

QUESTION 1

1.1	In your opinion, which inventory system offers greater internal control over trading stock? Give a reason for your answer.	
	Which inventory system does Go-Go Stores use? Give a reason for your answer.	
		6

1.2	Refer to the details and figures in the accounts. Provide the missing details/figures labelled [A] to [M].			
A		H		
B		I		
C		J		
D		K		
E		L		
F		M		
G				26

1.3	Calculate the cost of sales for the year ended 31 August 2007.	
		6

1.4.1	Calculate the actual mark-up % achieved for the year ended 31 August 2007.	
1.4.2	Give TWO possible reasons for the difference between mark-up achieved and the intended 75%.	
	•	
	•	
		8
1.5.1	According to the figures for August, does this business sell goods mainly for cash or on credit? Provide figures to support your answer.	
	How will this affect their cash flow? Briefly explain.	
		6

1.5.2	In your opinion, are the stock levels too high? Support your answer with an appropriate calculation or financial indicator.	
	How will this affect their cash flow? Briefly explain.	
		8

TOTAL
60

QUESTION 2

2.1 CALCULATE THE CORRECT NET INCOME	
Net income before adjustment	427 270

25

CALCULATIONS:

2.2.1 JESMAR FASHIONS NOTES TO THE FINANCIAL STATEMENTS			
Fixed assets	Land and buildings	Equipment	Vehicles
Carrying value at beginning of year		58 500	130 000
Cost		108 500	250 000
Accumulated depreciation		(50 000)	(120 000)
Movements			
Additions at cost			
Disposal at carrying value			
Depreciation for the current year			
Carrying value at end of year			
Cost			
Accumulated depreciation			

23

2.2.2 PRIVATE ACCOUNTS	Jessica	Marlene
Interest on capital	25 600	
Partners' salaries		159 900
Primary distribution		

19

3.2

3.2.1 State TWO points to support the chairman's concern over the membership fees. Quote figures from the question to support your answer. Note that there are 600 members in the club.

What advice would you offer the chairman? State TWO points that can assist the chairman.

8

3.2.2 Refer to the incomplete Refreshments Account provided. Calculate the number of bottles of fruit juice that appear to be missing. Show a calculation to support your answer.

What advice would you offer the chairman? State TWO points that can assist the chairman.

9

QUESTION 4**Example: Adams Furnishers CC bought trading stock for R3 000 on credit.**

	General Ledger Account Debited	General Ledger Account Credited	Amount	A	O	L
e.g.	Trading stock	Creditors' Control	R3 000	+	0	+
1			R23 500			
2			R72 000			
3			R15 000			
4						
5a						
5b						
6						
7						
8						

TOTAL
43

QUESTION 5

5.1.1

EDWIN TRADERS				
DEBTORS COLLECTION SCHEDULE				
FOR PERIOD 1 DECEMBER 2007 TO 31 JANUARY 2008				
CREDIT SALES FOR		NOVEMBER	DECEMBER	JANUARY
October	48 000	32 640	nil	nil
November	42 000	12 600		
December	108 000	nil		
January	42 000	nil		
		45 240		

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5.1.2

EDWIN TRADERS			
CASH BUDGET FOR THE PERIOD 1 DECEMBER 2007 TO 31 JANUARY 2008			
CASH RECEIPTS	NOVEMBER	DECEMBER	JANUARY
Collections from debtors	45 240		
Cash sales	63 000		
Interest on current account	100		
TOTAL RECEIPTS	108 340		
CASH PAYMENTS			
Cash purchases of stock	21 000		
Payments to creditors (for stock)	53 200	46 550	
Wages to bookkeeper	5 200	5 200	5 200
Rent paid	8 500		
Salaries to employees	44 000		
Other operating expenses	8 300		
Cash drawings by owner	15 000	15 000	
TOTAL PAYMENTS	155 200		
Cash surplus (deficit)	(46 860)		
Bank balance at beginning of month	24 000		
Bank balance at end of month	(22 860)		

5.2.1 Do you think that the proposed increases in salaries for the two directors and the 25 employees in March 2008 are reasonable? Give TWO reasons for your answer. Quote figures to support your opinion.

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5.2.2 You are the elected staff representative for the 25 employees. A meeting is scheduled with the two directors in February. Apart from the salaries, what TWO other points would you raise with the directors? In your explanation quote figures from the extract.

TOTAL
65

8

QUESTION 6

6.1

UMLAZI LIMITED			
BALANCE SHEET AS ON 30 JUNE 2007			
ASSETS	2007		2006
Non-current assets: Fixed assets			395 500
Current assets			352 000
Inventories (only trading stock)			108 000
Trade and other receivables			104 000
Cash and cash equivalents			140 000
TOTAL ASSETS			747 500
EQUITY AND LIABILITIES			
Ordinary shareholders' equity			418 000
Ordinary share capital (par value R5)			360 000
Share premium			32 000
Retained income			26 000
Non-current liabilities (Loan at 12% p.a.)			95 000
Current liabilities			234 500
Trade and other payables			198 000
SARS (Income tax)			22 100
Shareholders for dividends			14 400
TOTAL EQUITY AND LIABILITIES			747 500

6.2	Calculate the missing figures labelled [A] to [F] in the Cash Flow Statement.	
A		
B		
C		
D		
E		
F		

14

6.3	Calculate the following financial indicators for 2007:	
	Acid-test ratio	
	Debt-equity ratio	
	Earnings per share	

9

6.4	Expansion of the company: One of the directors says that if the company requires more funds for future expansion they should rather raise loans. Do you agree? Quote appropriate financial indicators (ratios/percentages).

5

6.5	Liquidity: Comment on the liquidity of the company on 30 June 2007. Briefly explain, quoting appropriate financial indicators (ratios/percentages).

6

6.6 Returns to shareholders' interest: The managing director feels that the shareholders should be very satisfied with the % return on shareholders' interest, earnings per share and dividends per share. State THREE points for him to mention at the AGM. Quote appropriate financial indicators (figures/ratios/percentages).

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6.7 Share price: Apart from the points mentioned above, what would you advise the managing director to say at the AGM in order to resolve this problem? Discuss TWO points.

TOTAL
77

6

TOTAL: 400