



basic education

Department:
Basic Education
REPUBLIC OF SOUTH AFRICA

**NATIONAL
SENIOR CERTIFICATE**

GRADE 12

**ACCOUNTING
EXEMPLAR 2014**

MARKS: 300

TIME: 3 hours

This question paper consists of 21 pages and an 18-page answer book.

INSTRUCTIONS AND INFORMATION

Read the following instructions carefully and follow them precisely.

1. Answer ALL the questions.
2. A special ANSWER BOOK is provided in which to answer ALL the questions.
3. Show workings in order to achieve part-marks.
4. You may use a non-programmable calculator.
5. You may use a dark pencil or blue/black ink to answer the questions.

NOTE TO TEACHERS

This Exemplar is intended to give teachers and learners an understanding of the standard and format of questions that are regarded as valid for the Grade 12 NSC Accounting examinations (CAPS) from 2014.

Teachers are also referred to:

- The Examination Guidelines for further information on structure and standards required
- The analysis grids for evidence of compliance with weighting of content, cognitive levels and degrees of challenge

NEW CAPS CONTENT

The following questions contain new content according to the CAPS:

- QUESTION 2 covers Creditors' Reconciliation, the preparation of which is a Grade 11 topic which may be examined in Grade 12
- QUESTION 3 covers a Company Cash Budget and includes repurchase (buy-back) of shares
- QUESTION 4 focuses on repurchase (buy-back) of shares and its effect on the Balance Sheet, Notes and relevant financial indicators
- QUESTION 5 is a standard cash flow and interpretation question which includes aspects relating to repurchase (buy-back) of shares

DOUBLE TESTING

It is not desirable practice for question papers to contain 'double testing' of topics across questions. However, as the topic of repurchase (buy-back) of shares might give rise to concerns or queries from teachers regarding acceptable treatment, this topic has been repeated in several contexts in this Exemplar. Refer to the Examination Guidelines for further explanation.

6. Use the information in the table below as a guide when answering the question paper. Try NOT to deviate from it.

QUESTION 1: 40 marks; 25 minutes	
Main topic of the question:	This question integrates:
Manufacturing	Managerial accounting Production Cost Statement Analysis and interpretation of unit costs and break-even point Managing resources Internal control and internal audit Ethics

QUESTION 2: 30 marks; 20 minutes	
Main topic of the question:	This question integrates:
Creditors' Reconciliation	Financial accounting Reconciling a Creditors' Ledger Account to a Creditors' Statement Managing resources Internal control and internal audit

QUESTION 3: 50 marks; 30 minutes	
Main topic of the question:	This question integrates:
Cash Budget	Managerial accounting Analyse and interpret a cash budget Managing resources Internal control and internal audit

QUESTION 4: 50 marks; 30 minutes	
Main topic of the question:	This question integrates:
Repurchase (buy-back) of shares	Financial accounting Shareholders' equity section of Balance Sheet and Notes Analysis and interpretation: Net asset value

QUESTION 5: 70 marks; 40 minutes	
Main topic of the question:	This question integrates:
Cash flow and interpretation of information	Financial accounting Cash Flow Statement Analysis and interpretation of financial information Independent auditor's report Internal control Ethics and professional body

QUESTION 6: 60 marks; 35 minutes	
Main topic of the question:	This question integrates:
Income Statement, fixed assets and stock	Financial accounting Preparation of Income Statement Managing resources Asset disposal account Inventory valuation: FIFO and weighted average Internal control problem-solving

QUESTION 1: MANUFACTURING**(40 marks; 25 minutes)****1.1 ACE CALCULATORS**

The business produces one type of basic school calculator. The business uses the periodic inventory system.

REQUIRED:

- 1.1.1 Indicate the cost accounts that would be affected by the following in a manufacturing business:
- (a) Rent paid for factory buildings
 - (b) Overtime paid to factory workers
 - (c) Commission paid to salespersons
 - (d) Cost of raw materials used in the production
 - (e) Salary of internal auditor (5)
- 1.1.2 Prepare the Production Cost Statement for the year ended 28 February 2013. (10)
- 1.1.3 30 000 calculators were produced during the financial year. Calculate the cost of production per unit. (3)

INFORMATION:

Information extracted from the financial records on 28 February 2013:

	R
Administration cost	485 000
Direct/Raw material cost	1 161 000
Factory overhead cost	810 000
Selling and distribution cost	245 000
Direct labour cost	?
Prime cost	1 797 000
Total cost of production of finished goods	2 460 000
Work-in-process (1 March 2012)	102 000
Work-in-process (28 February 2013)	?
Finished goods stock (1 March 2012)	202 800
Finished goods stock (28 February 2013)	500 200
Sales (26 500 calculators at R130 each)	3 445 000
Cost of sales	?

1.2 **MALOMA DAIRY**

You are provided with information for the year ended 28 February 2013. This dairy is owned by Mark Maloma. The business produces flavoured milk which is sold in bottles.

INFORMATION:

The number of units produced and sold increased from 420 000 bottles in 2012 to 540 000 bottles in 2013.

The following figures apply to the 2013 financial year:

	TOTAL	PER UNIT
Sales (540 000 x R6,60)	R3 564 000	R6,60
Variable costs	R1 458 000	R2,70
Fixed costs	R972 000	R1,80

- 1.2.1 Calculate the break-even point and comment on the level of production for the year. (7)
- 1.2.2 Despite the fact that the factory workers were given a 10% wage increase, the direct material cost per unit has dropped by 50 cents per unit. What could have caused the difference? What comment would you make to Mark about the control of this item? (3)
- 1.2.3 The fixed costs per unit dropped from R1,90 in 2012 to R1,80 in 2013. Should Mark be satisfied with this? What comment would you make to Mark about the control of this item? Provide figures to support your answer. (4)
- 1.2.4 You are the internal auditor and you have noticed that the business is using bottles bought from Apex Products as containers for the flavoured milk. The contract with Apex Products was signed by the office manager, Alex Fynn. While working late one night, you noticed that Apex Products delivered a laptop to Mr Fynn.
- Will this be a concern to you? Give a reason for your answer.
 - Explain what action you would take as internal auditor. State THREE points. (8)

QUESTION 2: CREDITORS' RECONCILIATION AND INTERNAL CONTROL
(30 marks; 20 minutes)

Organic Traders buys and sells organic products. A statement received on 28 July 2013 from a creditor, Aqua Wholesalers, reflects a different amount owing by Organic Traders than the amount in the Creditors' Ledger of Organic Traders.

REQUIRED:

- 2.1 Make a list of the changes to Aqua Wholesalers' account in the Creditors' Ledger, which the bookkeeper should process to correct the errors or omissions. Give a brief description in the Details column and show the changes to the balances in the Amount column. (12)
- 2.2 Prepare a Creditor's Reconciliation Statement in respect of Aqua Wholesalers for July 2013. (10)
- 2.3 The owner of Organic Traders is unhappy with the errors which occurred and resulted in inaccurate records in their books. Briefly explain TWO measures that Organic Traders can implement in order to maintain good control over their creditors and to avoid this from happening in future. (4)
- 2.4 Organic Traders is experiencing cash problems and is currently in a position where they are not able to pay their creditors on time. Aqua Wholesalers has granted them a credit limit of R40 000. All their current creditors require them to pay within 30 days and they allow their customers credit terms of 60 days. Suggest TWO ways in which the liquidity position can be improved. (4)

INFORMATION:

CREDITORS' LEDGER OF ORGANIC TRADERS

CL4. AQUA WHOLESALERS				
		Debit	Credit	Balance
2013				<i>Credit</i>
July 1	Balance brought forward			17 680
July 6	Cheque 6321	16 796		884
	Discount	884		NIL
July 8	Invoice 2590		17 932	17 932
July 10	Debit note 89	593		17 339
July 14	Invoice 2810		25 490	42 829
July 16	Journal Voucher 450	1 800		41 029
July 17	Debit note 102	1 482		39 457
July 19	Invoice 1067		420	39 967
July 22	Cheque 6410	18 000		11 967
July 29	Invoice 3056		32 604	44 571

Statement received from Aqua Wholesalers:

<i>Aqua Wholesalers</i>				
PO Box 453; Stellenbosch 7599; Tel: 021 851 5679				
Organic Traders		Date of statement: 25 July 2013		
PO Box 219		Credit limit: R40 000		
Stellenberg, 7550				
		Debit	Credit	Amount
2013				
July 1	Balance brought forward			17 680
July 6	Receipt 1436		16 796	884
July 8	Invoice 2590	17 932		18 816
July 10	Credit note 1038		539	18 277
July 10	Credit note 1042		3 900	14 377
July 16	Invoice 2810	25 904		40 281
July 17	Debit note 102		1 482	38 799
July 19	Credit note 141		420	38 379
July 22	Cheque 6410		18 000	20 379
	Discount		900	19 479

ADDITIONAL INFORMATION:

1. Aqua Wholesalers rejected the discount claimed by Organic Traders on 6 July and indicated that the payment was received too late to qualify for the discount.
2. There is a disagreement over the goods returned by Organic Traders as per debit note DN 89. The error has been made by Organic Traders. Aqua Wholesalers' credit note CN 1038 is correct.
3. Aqua Wholesalers have reflected credit note 1042 on 10 July. This, however, relates to another one of their customers, Orgo Stores, and not to Organic Traders.
4. Invoice 2810 was correctly recorded by Organic Traders.
5. Aqua Wholesalers purchased goods on credit from Organic Traders. The bookkeeper was instructed to transfer their debit balance of R1 800 in the Debtors' Ledger to the Aqua Wholesalers account in the Creditors' Ledger. However, she did the entry wrong (refer to Journal Voucher 450. Aqua Wholesalers have also forgotten to record this entry.
6. Credit note 141 for R420 received from Aqua Wholesalers was incorrectly recorded as Invoice 141 in the Creditors' Ledger.
7. Organic Traders have forgotten to claim their discount on 22 July. There was also a subtraction error of R10 000 in the Creditors' Ledger account on 22 July.
8. Note that Aqua Wholesalers' statement is prepared on 25 July 2013.

QUESTION 3: CASH BUDGET**(50 marks; 30 minutes)**

As the accountant of Blossom Traders Ltd you are reviewing the Cash Budget for the three months ending 30 September 2013, which will be presented to the directors.

REQUIRED:

- 3.1 Explain to the shareholders what the main difference is between a *projected income statement* and a *Cash Budget*. (2)
- 3.2 Name TWO items that could be included in 'other operating expenses'. (2)
- 3.3 Complete the Debtors' Collection Schedule for July and August 2013. (8)
- 3.4 Calculate the following:
- 3.4.1 The % increase in sales in September 2013 (3)
- 3.4.2 The rent income amount for September 2013. Note that the company is budgeting for a 12% increase in rent starting 1 September 2013. (2)
- 3.4.3 The total sales for August 2013 (4)
- 3.4.4 The amount that will be paid to creditors during September (4)
- 3.4.5 The amount that will be paid for interim dividends in September 2013 (4)
- 3.4.6 What the buy-back of shares will cost the company in September 2013 (3)
- 3.4.7 The interest that will be received for September 2013 (4)
- 3.5 In August, there is an amount that will be paid for income tax.
- 3.5.1 What does this amount represent, since the financial year-end of this company is annually at the end of February? (2)
- 3.5.2 How will this amount be calculated? (2)
- 3.6 The shareholders are unhappy with the way the collection of debtors has been handled.
- 3.6.1 Explain why you believe the shareholders feel this way regarding the collection from debtors. (2)
- 3.6.2 Suggest TWO measures that can be introduced to improve the situation. (2)

- 3.7 At the end of June, the following figures were identified. The directors have asked that you explain to them why the budgeted and actual amounts of certain items differ significantly. Explain what you would say to them about each of the following items. Explain ONE point of advice in each case.

	JUNE 2013	
	Budgeted	Actual
Advertising	R5 200	R8 000
Training of employees	R12 000	NIL
Rent income	R8 500	R2 000

(6)

INFORMATION:

- Credit sales:** 40% of all sales are on credit. Debtors are given 30 days in which to settle their debts. However, trends over the past year reveal that debtors pay as follows:

 - 40% within the same month of sale, subject to a 5% discount
 - 35% in the month following the sale, that is 30 days
 - 20% in the second month following the sale, that is 60 days
 - 5% of debts are written off after 60 days
- Stock purchases:**

 - The business works on a fixed stock base where the stock sold in a month is replaced at the end of that month.
 - The business uses a mark-up of 60% on cost.
 - 80% of stock is purchased on credit and creditors are paid in 30 days.
- Fixed deposit:**
The business has three fixed deposits with Reliable Bank to the value of R675 000 at an interest rate of 8,0%. One of these fixed deposits, worth R375 000, matures in September.
- Shares:**

 - The company has 250 000 shares in issue and the authorised share capital has a balance of R1 500 000.
 - The company is planning on issuing a further 40 000 shares during August 2013 at a price of R10,00 per share.
 - One of the shareholders passed away earlier in the year. This shareholder owns 55 000 shares. It was decided to buy back the shares from the deceased estate during September 2013 at a price of R15,50 each.
- Dividends:**
At the end of September, an interim dividend of 40 cents per share will be paid on shares held at the end of September.

**BLOSSOM TRADERS LTD
CASH BUDGET FOR THREE MONTHS ENDING 30 SEPTEMBER 2013**

	2013 JULY	2013 AUGUST	2013 SEPTEMBER
RECEIPTS			
Cash sales	1 200 000	1 200 000	1 440 000
Collections from debtors	?	?	804 800
Ordinary share capital (new shares)		400 000	
Rent income	8 500	8 500	?
Fixed deposit maturing			375 000
Interest on fixed deposit	4 500	4 500	?
Sundry income			?
	1 893 300	2 339 000	2 635 700
PAYMENTS			
Purchase of stock	?	?	300 000
Payments to creditors	?	?	
Directors' fees	6 000	6 000	6 000
Salaries and wages	520 000	520 000	520 000
Audit fees	7 500	7 500	7 500
Income tax		46 000	
Advertising	5 200	5 200	5 200
Dividends on ordinary shares			?
Buy-back of shares			?
Other operating expenses	?	?	?
	1 758 700	1 804 700	2 835 200
Surplus (deficit)	134 600	534 300	(199 500)
Opening bank balance	(28 000)	106 600	640 900
Closing bank balance	106 600	640 900	441 400

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QUESTION 4: REPURCHASE OF SHARES AND INTERPRETATION**(50 marks; 30 minutes)**

You are provided with information relating to Prospect Limited for the year ended 31 March 2013. The CEO, Ronnie Phosa, together with his children, owns 150 000 shares in the company.

Where explanations or comments are required, you are required to quote figures or financial indicators to support your explanations.

REQUIRED:

- 4.1 Shareholders' equity section of the Balance Sheet on 31 March 2013. (6)
- 4.2 Notes to:
- Ordinary share capital (13)
 - Retained income (15)
- 4.3 Calculate the net asset value per share on 31 March 2013 after the repurchase of the shares from the Gaptu family. (4)
- 4.4 The Gaptu family were keen to sell their shares because they were unhappy with the low pay-out policy that the directors were following in deciding on dividends. In your opinion, are their complaints valid, or not? Explain. (4)
- 4.5 Have the Gaptu family been offered a fair value for their shares? Explain. (3)
- 4.6 In your opinion, will the repurchase of the shares from the Gaptu family benefit the remaining shareholders, or not? Explain. (5)

INFORMATION:

1. The ordinary share capital on 1 April 2012 consisted of:
 - 250 000 ordinary shares issued in the 2010 financial year at R5,00 per share
 - 150 000 ordinary shares issued in the 2011 financial year at R7,00 per share.
2. Retained income on 1 April 2012 amounted to R1 960 000.
3. The following changes occurred to share capital during the 2013 financial year:
 - On 1 October 2012, 100 000 new ordinary shares were issued at R9,00 per share. These shareholders are not entitled to interim dividends.
 - On 31 March 2013, the directors decided to repurchase 220 000 ordinary shares from members of the Gaptu family who were no longer interested in being shareholders. These shareholders had originally bought most of their shares on the JSE at different prices and at different times. The repurchase price was R10,70 per share. These shareholders are entitled to all dividends for the 2013 financial year.

4. Additional information for the past two financial years:

	FINANCIAL YEAR ENDED:	
	31 March 2013	31 March 2012
Net income after tax	R1 600 000	R2 200 000
Ordinary shareholders' equity at year-end	?	R4 260 000
Number of shares in issue at year-end	?	400 000 shares
Market price per share on the JSE	1 040 cents	1 040 cents
Net asset value per share	?	1 065 cents
Earnings per share	356,6 cents	488,9 cents
Interim dividends	70 cents	90 cents
Final dividends	102 cents	140 cents

QUESTION 5: CASH FLOW AND INTERPRETATION (70 marks; 40 minutes)

You are provided with information relating to Bellco Limited for the year ended 31 August 2013.

5.1 A company's published annual report comprises five main parts.

Choose a description from COLUMN B that matches a component in COLUMN A. Write only the letter (A–E) next to the question number (5.1.1–5.1.5) in the ANSWER BOOK.

COLUMN A (Components of the annual report)		COLUMN B (Description)	
5.1.1	Income Statement	A	a written verbal explanation of operations of the company during a financial year
5.1.2	Balance Sheet	B	reflects whether or not the shareholders can rely on the financial statements
5.1.3	Cash Flow Statement	C	reflects the profit/loss of the company
5.1.4	Directors' report	D	reflects the effect of the operating, financial and investing activities on the cash resources
5.1.5	Independent auditor's report	E	reflects the net worth of the company

(5 x 1) (5)

5.2 Complete the Cash Flow Statement for the year. Show workings in brackets. (22)

5.3 Calculate the following financial indicators for 2013:

5.3.1 Acid-test ratio (4)

5.3.2 % return on average shareholders' equity (4)

5.3.3 Debt-equity ratio (3)

5.3.4 % return on average capital employed (use net income before tax) (4)

5.4 The directors are pleased that the operating efficiency of the business has improved. Quote and explain TWO financial indicators to support their opinion. (4)

- 5.5 According to the Companies Act (Act 61 of 1973), the directors may repurchase shares only if the liquidity of the business is acceptable. Quote and explain THREE financial indicators that provide evidence that they have complied with the Act. (6)
- 5.6 The directors want to establish another branch in a different area next year. They will need finance of R1,5 million to do this. One of the directors has suggested that they finance the expansion by increasing loans instead of issuing new shares. (10)
- Quote and explain TWO financial indicators to support his opinion.
 - Explain TWO other factors, with advice, that the directors should consider before embarking on this expansion.
- 5.7 Refer to the extract of the independent auditor's report under Information 6: (2)
- Explain in your own words why it is necessary for the independent auditors to mention internal controls under the section on Directors' Responsibility. (2)
 - Under the section on Independent Auditor's Responsibility, they mention something about 'ethical requirements'. Give a practical example of this. (2)
 - Is their final opinion good, or not? Explain. (2)
 - Why is it necessary for the independent auditor to have the qualification CA (SA) behind his name? Explain. (2)

INFORMATION:1. **Extract from the Balance Sheet for the year ended 31 August:**

	2013	2012
Fixed assets	12 138 000	12 357 000
Investments (4% p.a.)	250 000	600 000
Current assets	3 465 000	3 200 000
Trading stock	1 720 000	2 250 000
SARS (Income tax)	65 000	0
Trade and other receivables (excluding SARS)	1 140 000	940 000
Cash and cash equivalents	540 000	10 000
TOTAL ASSETS	15 853 000	16 157 000
Shareholders' equity	11 011 400	8 595 000
Share capital	8 960 000	6 360 000
Retained income	2 051 400	2 235 000
Loan from Unity Bank (11% p.a.)	3 000 000	5 400 000
Current liabilities	1 841 600	2 162 000
Trade and other payables (excluding SARS and shareholders)	920 000	1 260 000
SARS (income tax)	0	72 000
Shareholders for dividends	921 600	620 000
Bank overdraft	0	210 000
TOTAL EQUITY AND LIABILITIES	15 853 000	16 157 000

2. **Extracts from the Income Statement and Notes for the year ended 31 August 2013:**

Depreciation	R1 010 000
Operating profit	3 062 000
Interest expense	462 000
Net profit before tax	2 600 000
Net profit after tax	1 820 000
Interim dividends paid	770 000
Final dividends declared	921 600

3. **Shares issued and repurchased:**

- 1 000 000 ordinary shares were in issue at the end of the previous financial year, 31 August 2012.
- 400 000 ordinary shares were issued on 1 September 2012.
- 120 000 ordinary shares were repurchased on 28 February 2013 from the estate of a shareholder who had died. The shares were repurchased at R2,60 above the average issue price.

4. **Changes to fixed assets:**

New vehicles and equipment were bought during the year for R880 000. Unused vehicles were sold at book value during the year.

5. **Financial indicators for the past two years:**

	2013	2012
Solvency ratio	3,3 : 1	2,1 : 1
Current ratio	1,9 : 1	1,5 : 1
Acid-test ratio	?	0,4 : 1
Turnover rate of stock	8,7 times	6,6 times
% return on average shareholders' equity	?	15,6%
Net asset value per share	860,3 cents	859,5 cents
Earnings per share	135,8 cents	114,2 cents
Dividends per share	127 cents	30 cents
Debt-equity ratio	?	0,6 : 1
% return on average capital employed	?	12,4%
% gross profit on cost of sales	62,2%	58,3%
% operating expenses on sales	37,9%	44,5%
% operating profit on sales	10,1%	7,3%

6. **Extract from the independent auditor's report. Note that this is NOT a complete report.**

REPORT OF THE INDEPENDENT AUDITOR

We have audited the annual financial statements of Bellco Limited ... as set out on pages 52 to 64.

Directors' Responsibility for the Financial Statements

The company's directors are responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards and the requirements of the Companies Act of South Africa, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Independent Auditor's Responsibility

Our responsibility is to express an opinion on the financial statements based on our audit.

We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

Opinion

In our opinion, the annual financial statements present fairly, in all material respects, the financial position of Bellco Limited as at 31 August 2013, and its financial performance and cash flows for the 52 weeks then ended in accordance with International Financial Reporting Standards and the requirements of the Companies Act of South Africa.

MSANE & CHARTER

Director: MPJ Msane

Registered Auditor; Chartered Accountant (SA)

15 September 2013

QUESTION 6: INCOME STATEMENT, FIXED ASSETS AND STOCK
(60 marks; 35 minutes)

6.1 KLOOF COMPUTERS (PTY) LTD

You are provided with information relating to Kloof Computers (Pty) Ltd for the year ended 30 June 2013.

REQUIRED:

- 6.1.1 Refer to Adjustments and Additional Information 5. Calculate the profit/loss on the disposal of the office computers sold on 31 March 2013. (6)
- 6.1.2 Refer to Adjustments and Additional Information 6. Calculate the value of stock on hand of the:
- Hypa laptops, according to the specific identification method (3)
 - ABX printers, according to the FIFO method (5)
 - Silvo printing paper, according to the weighted-average method (5)
- 6.1.3 Prepare the Income Statement for the year ended 30 June 2013. (32)

INFORMATION:

(a) **Items extracted from the Pre-adjustment Trial Balance on 30 June 2013:**

Balance Sheet accounts section	Debit	Credit
Land and buildings	930 000	
Equipment	510 100	
Accumulated depreciation on equipment		231 000
Trading stock	281 000	
Loan from Highway Lenders (13% p.a.)		300 000
SARS (provisional tax)	194 000	
Debtors' control	32 000	
Provision for bad debts		2 000
Nominal accounts section		
Sales		3 700 000
Cost of sales	2 100 000	
Staff costs (salaries, wages and commission)	180 000	
Directors' fees	120 000	
Commission income		36 000
Interest on loan	29 000	
Sundry expenses (including packing materials)	45 000	
Asset disposal		7 000

(b) Adjustments and additional information:

1. Commission income of R2 350 is owed to the business.
2. Packing materials of R1 700 are on hand at the end of the year. Packing materials are included in Sundry expenses.
3. One of the two directors has been paid his fees for 6 months. The fees were increased by 10% half-way through the financial year. Provide for fees owing. Both directors earn the same annual fees.
4. Interest at 13% p.a. is owed on the loan. This interest is not capitalised. The loan was taken out several years ago. A payment of R100 000 was made on 31 December 2012. This has been properly recorded.
5. Equipment comprises:

	Cost on 30 June 2013	Accumulated depreciation on 1 July 2012	Depreciation rate
General equipment	418 000	183 000	20% on diminishing-balance method
Office computers	92 100	48 000	33 $\frac{1}{3}$ % on cost
	R510 100	R231 000	

NOTE: One of the office computers was sold on 31 March 2013. The selling price was credited to the Asset Disposal account but no other entry has been made. The cost price of this computer was R18 600 and the accumulated depreciation at the beginning of the year was R9 400.

Depreciation is to be written off at the rates reflected above.

6. The business uses the perpetual inventory system. Stock records show:

Item	Valuation method	Stock on hand on 30 June 2013	Value on 30 June 2013
Hypa laptops	Specific identification: R10 500 each	20 computers	?
ABX printers	FIFO	46 printers	?
Silvo printing paper	Weighted average	600 reams	?

NOTE: Two of the Hypa laptops included in the stock figures above were donated to Bonlo Primary School and Bonlo High School. No entry has been made for these donations.

The following information relates to trading stock of printers and paper:

	ABX printers			Printing paper		
	Quantity	Price	Total	Quantity	Price	Total
Opening stock	20	R700	R14 000	1 200	R33	R39 600
PURCHASES	204		R153 040	5 400		R206 800
Aug. 2012	100	R730	R73 000	1 600	R40	R64 000
Jan. 2013	70	R750	R52 500	2 000	R30	R60 000
May 2013	34	R810	R27 540	1 800	R46	R82 800
SUBTOTAL	224		R167 040	6 600		R246 400
Sales	178	R1 500	R267 000	6 000	R65	R390 000
Closing stock	46		?	600		?

7. The income tax assessment for the year reflected that the business owed SARS an amount of R37 000 on 30 June 2013.

6.2 PROBLEM-SOLVING

To try and increase the sales of laptops, the directors of Kloof Computers (Pty) Ltd decided to employ three newly qualified salespersons on a trial period for one month.

These salespersons would not be restricted to working at the shop premises. They were employed to visit potential customers who might be interested in laptops and printers.

The salespersons would each be paid the following:

- A fixed basic monthly salary of R7 000
- 10% commission on sales made by them
- A travel allowance of R2,00 per kilometre travelled in their private cars

The business normally makes a gross profit of R6 000 per laptop (cost price R10 500, selling price R16 500). The salespersons are allowed to offer a maximum trade discount of R500 per laptop to help them secure a sale if necessary.

At the end of the one-month trial period, you are provided with the figures on the next page.

REQUIRED:

- Explain ONE problem relating to each salesperson. Provide figures to support your explanations. (6)
- What advice would you offer the directors in respect of the plan to employ these salespersons? (3)

INFORMATION:

Name of salesperson:	GUGU	MANNY	JIM
Number of laptops drawn from stock at the beginning of the month	20	20	20
Number of laptops sold for cash	9	16	11
Number of laptops returned to stock at the end of the month	11	4	8
Discounts allowed to customers	R0	R8 000	R5 000
Cash from sales deposited by each salesperson into the bank account	R148 500	R207 000	R193 000
Gross profit earned before discounts and other expenses	R54 000	R90 000	R72 000
Basic salary	R7 000	R7 000	R7 000
Commission paid to each salesperson	R14 850	R25 200	R17 850
Travel allowance claimed (R2,00 per km)	R3 000	R1 000	R1 000

60

GRAND TOTAL: 300