



**GAUTENG PROVINCE**  
EDUCATION  
REPUBLIC OF SOUTH AFRICA

**GAUTENG DEPARTMENT OF EDUCATION  
PROVINCIAL EXAMINATION  
NOVEMBER 2016  
GRADE 11**

**ACCOUNTING  
MEMORANDUM**

| <b>QUESTION</b> | <b>MARKS</b> |
|-----------------|--------------|
| 1               | 50           |
| 2               | 45           |
| 3               | 35           |
| 4               | 40           |
| 5               | 80           |
| 6               | 50           |
| <b>TOTAL</b>    | <b>300</b>   |

14 pages

**GAUTENG DEPARTMENT OF EDUCATION  
PROVINCIAL EXAMINATION**

**ACCOUNTING**

**MEMORANDUM**

**Question 1**

|            |                           |
|------------|---------------------------|
| <b>1.1</b> |                           |
| <b>A</b>   | Bank overdraft            |
| <b>B</b>   | Stop order                |
| <b>C</b>   | Cash and cash equivalents |
| <b>D</b>   | Current liability         |
| <b>E</b>   | Interest on overdraft     |

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|-----------------------|---------------|------------------------|---------------|
| <b>1.2.1</b>          |               | <b>Bank</b>            |               |
| <b>Balance</b>        | ✓✓40 300      | <b>Total payments</b>  | <b>21 480</b> |
| <b>Total receipts</b> | <b>29 120</b> | Repairs✓               | ✓600          |
| Creditors' control✓   | ✓2 000        | Debtors' control✓      | ✓1 500        |
| Repairs✓              | ✓600          | Drawings✓              | ✓1 800        |
| Stationery✓           | ✓500          | Bank charges✓          | ✓628          |
| Capital✓              | ✓18 000       | Interest on overdraft✓ | ✓520          |
| Rent income✓          | ✓6 800        | Insurance✓             | ✓4 000        |
|                       |               | Balance                | ☑66 792       |
|                       | 97 320        |                        | 97 320        |
| Balance               | 66 792        |                        |               |

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|--------------------------------------------------------------|--------------|---------------|
| <b>1.2.2 Bank Reconciliation Statement on 31 August 2016</b> | <b>Debit</b> | <b>Credit</b> |
| Cr Balance as per bank statement                             |              | ☑42 892       |
| Cr Outstanding deposit                                       |              | ✓23 500       |
| Cr Outstanding deposit                                       |              | ✓17 400       |
| Dr outstanding cheques: 722                                  | ✓1 000       |               |
| 754                                                          | ✓3 000       |               |
| 757                                                          | ✓5 200       |               |
| 761                                                          | ✓6 000       |               |
| 763 [10 Sep 2016]                                            | ✓1 200       |               |
| 764                                                          | ✓600         |               |
| Dr Balance as per bank account                               | ☑66 792      |               |
|                                                              | 83 792       | 83 792        |

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| <b>1.2.3</b> | <b>Briefly explain the purpose of preparing a bank reconciliation statement</b>                                                                                                                               |
|              | <ul style="list-style-type: none"> <li>▪ It is an internal control process✓to ensure that all entries are correctly captured by the business and by the bank.✓</li> <li>▪ Prevents fraud and theft</li> </ul> |

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| <b>1.2.4</b> | <b>Amount in respect of Creditors' Control</b>    |
|              | <b>57 680 + 2 000✓+ 1 000✓ + 1 200✓ = 61 880☑</b> |

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| <b>1.2.5</b> | <b>List TWO concerns regarding internal control of cash in this business.</b>                                                                                                                                                                                                     |
|              | <p>Any 2 ✓✓ ✓✓</p> <ul style="list-style-type: none"> <li>▪ Poor internal control of cash as money is not being deposited daily.</li> <li>▪ The deposit of R23 500 is still not accounted for.</li> <li>▪ The accountant is making errors when recording transactions.</li> </ul> |

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**QUESTION 2**

|            |                                                                                                                                                                                                                                                                                                              |
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| <b>2.1</b> | <b>Briefly explain the purpose of the fixed assets register. State TWO points.</b>                                                                                                                                                                                                                           |
|            | <p>Any 2 ✓✓ ✓✓</p> <ul style="list-style-type: none"> <li>▪ It is a register of all the fixed assets in the business and it is used to verify physical stock of fixed assets on hand.</li> <li>▪ It is an internal control process that assists in safeguarding the fixed assets of the business.</li> </ul> |

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**2.2**

| <b>Calculations for the disposal of the printer</b> |              |        |                          |                |
|-----------------------------------------------------|--------------|--------|--------------------------|----------------|
| Date                                                | Details      | Cost   | Accumulated Depreciation | Carrying Value |
| 28 / 2 / 2013                                       | Depreciation | 50 000 | ✓✓7 500                  |                |
| 28 / 2 / 2014                                       | Depreciation |        | ✓✓8 500                  |                |
| 31 / 8 / 2015                                       | Depreciation |        | ✓✓3 400                  |                |
|                                                     |              | 50 000 | 19 400                   | ✓☑30 600       |

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**2.3**

| <b>Calculation of depreciation on equipment on 29 February 2016</b> |                                             |
|---------------------------------------------------------------------|---------------------------------------------|
| Cost [old]                                                          | 900 000 - 50 000 = 850 000 ✓                |
| Accum. dep.                                                         | 370 000 + 3 400 - 19 400 = <u>354 000</u> ✓ |
|                                                                     | <u>496 000</u> ✓ x 20% = 99 200 ☑           |
| [New]                                                               | 100 000 ✓ x 20% x 6/12 = <u>10 000</u> ✓    |
|                                                                     | 109 200 ☑                                   |

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**2.4**

| <b>Accumulated depreciation on Equipment</b> |                 |         |        |                          |                                    |
|----------------------------------------------|-----------------|---------|--------|--------------------------|------------------------------------|
| Feb 29                                       | Asset Disposal✓ | ✓19 400 | Mar 1  | Balance                  | <b>370 000</b>                     |
|                                              | Balance         | 463 200 | Aug 31 | Depreciation             | ✓3 400<br><small>See 2.2</small>   |
|                                              |                 |         | Feb 29 | Depreciation✓            | ✓109 200<br><small>See 2.3</small> |
|                                              |                 | 482 600 |        | 1 mark for both entries  | 482 600                            |
|                                              |                 |         | Mar 1  | Balance                  | ✓463 200                           |
| <b>Asset Disposal</b>                        |                 |         |        |                          |                                    |
| Aug 31                                       | Equipment✓      | ✓50 000 | Aug 31 | Accum. dep on equipment✓ | ✓19 400                            |
|                                              |                 |         |        | Bank✓                    | ✓30 600                            |
|                                              |                 | 50 000  |        |                          | 50 000                             |

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**2.5 Incomplete Fixed Assets Note**

|                                    | Land and Buildings | Vehicles         | Equipment                            |
|------------------------------------|--------------------|------------------|--------------------------------------|
| Cost                               | 2 400 000          | ✓1 600 000       | <b>900 000</b>                       |
| Accumulated depreciation           |                    | <b>(960 000)</b> | <b>(370 000)</b>                     |
| Carrying value                     | <b>2 400 000</b>   | <b>640 000</b>   | ✓530 000                             |
| <b>Movements</b>                   |                    |                  |                                      |
| Additions                          |                    | ✓500 000         | <b>100 000</b>                       |
| Disposals                          | ✓ [700 000]        |                  | ✓[30 600]<br><small>See 2.2</small>  |
| Depreciation<br>(240 000 + 18 750) |                    | ✓✓(258 750)      | ✓[112 600]                           |
| Carrying value                     | <b>1 700 000</b>   | ✓ 881 250        | ✓486 800                             |
| Cost                               | <b>1 700 000</b>   | ✓2 100 000       | <b>950 000</b>                       |
| Accumulated depreciation           |                    | ✓✓1 218 750      | ✓[463 200]<br><small>See 2.4</small> |

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**QUESTION 3**

|            |          |              |   |          |
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| <b>3.1</b> | <b>A</b> | Current      | ✓ |          |
|            | <b>B</b> | Periodic     | ✓ |          |
|            | <b>C</b> | Stock taking | ✓ |          |
|            | <b>D</b> | Net profit   | ✓ |          |
|            | <b>E</b> | Increase     | ✓ | <b>5</b> |

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|--------------|-------------------------------------------|-------------|-----------|
| <b>3.2.1</b> | <b>Calculation of cost of sales</b>       |             |           |
|              | Opening stock                             | ✓394 290    |           |
|              | Purchases [2 127 870✓ + 63 000✓ – 4 200✓] | ☑2 186 670  |           |
|              | Carriage on purchases                     | ✓87 786     |           |
|              |                                           | 2 668 746   |           |
|              | Closing stock [313 254✓ – 18 400✓]        | ☑ [294 854] |           |
|              |                                           | ☑2 373 892  | <b>10</b> |

|              |                                    |            |          |
|--------------|------------------------------------|------------|----------|
| <b>3.2.2</b> | <b>Calculation of gross profit</b> |            |          |
|              | Sales [3 038 580 + 20 980✓]        | ✓3 059 560 |          |
|              | Cost of sales                      | ☑2 373 892 |          |
|              | Gross profit                       | ☑685 668   | <b>4</b> |

|              |                                                                                                                                                                            |          |
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| <b>3.2.3</b> | <b>Calculate the stock turnover rate.</b>                                                                                                                                  |          |
|              | $\frac{2\,373\,892 \text{ ☑} \text{ see 3.2.1}}{[394\,290 + 294\,854] \text{ ☑} / 2 \text{ ✓}}$ $= \frac{2\,373\,892 \text{ ☑}}{344\,572}$ $= 6.9 \text{ times} \text{ ☑}$ | <b>4</b> |

|              |                                                                                                                                                                                                                                                                                                                        |          |
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| <b>3.2.4</b> | <b>Comment on the drop in the mark-up percentage in relation to the stock turnover rate. Provide TWO points.</b>                                                                                                                                                                                                       |          |
|              | <p>Any 2 ✓✓ ✓✓</p> <ul style="list-style-type: none"> <li>▪ Discounts offered during clearance sales to increase sales</li> <li>▪ Discounts to bulk buyers to increase sales</li> <li>▪ Incorrect calculation of mark-up</li> <li>▪ Less control over stock led to theft of stock</li> <li>▪ Theft of stock</li> </ul> | <b>4</b> |

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| <b>3.2.5</b> | <b>List TWO ways in which the profits can be increased.</b>                                                                                                                                                                                                                                                  |          |
|              | <p>Any 2 ✓✓ ✓✓</p> <ul style="list-style-type: none"> <li>▪ Buy for cash at lower prices.</li> <li>▪ Increase the mark-up on credit sales.</li> <li>▪ Bulk buying at lower prices</li> <li>▪ Pay creditors on time and earn discounts.</li> <li>▪ Effective control of expenses / reduce expenses</li> </ul> | <b>4</b> |

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| <b>3.2.6</b> | <b>List TWO ways in which the turnover can be increased.</b>                                                                                                |
|              | Any 2 ✓✓ ✓✓ <ul style="list-style-type: none"><li>▪ Advertising</li><li>▪ Sell at competitive prices.</li><li>▪ Introduce new products regularly.</li></ul> |

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**QUESTION 4**

|            |                                                                                                                                                                                      |
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| <b>4.1</b> | <b>What is the purpose of preparing a cash budget?</b>                                                                                                                               |
|            | A cash budget is a financial plan outlining projected receipts and payments for a specified period. ✓ This forecast assists in preventing cash flow problems and a bank overdraft. ✓ |

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| <b>4.2</b> | <b>List TWO expenses other than depreciation that will not be included under payments in the cash budget.</b>                                                    |
|            | Any 2 ✓✓ ✓✓ <ul style="list-style-type: none"> <li>▪ Discount allowed</li> <li>▪ Loss on sale of asset</li> <li>▪ Increase in provision for bad debts</li> </ul> |

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|---------------|---------------------------------------------------------------|----------------|-----------------|--------------|
| <b>4.3</b>    | <b>Debtors' Collection Schedule</b>                           |                |                 |              |
| <b>Months</b> | <b>Credit Sales</b>                                           | <b>January</b> | <b>February</b> | <b>March</b> |
| <b>Nov</b>    | R72 000                                                       | 17 280         |                 |              |
| <b>Dec</b>    | R79 200                                                       | 47 520         | ✓19 008         |              |
| <b>Jan</b>    | R64 800                                                       | 9 234          | ✓38 880         | ✓15 552      |
| <b>Feb</b>    | R61 200                                                       |                | ✓8 721          | ✓36 720      |
| <b>Mar</b>    | R68 400                                                       |                |                 | ✓9 747       |
|               | Operation <input checked="" type="checkbox"/> for both totals | <b>74 034</b>  | 66 609          | 62 019       |

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| <b>4.4 Cash Budget ending<br/>31 March 2016</b> | <b>January</b>                             | <b>February</b>                            | <b>March</b>                                 |
|-------------------------------------------------|--------------------------------------------|--------------------------------------------|----------------------------------------------|
| <b>Cash Receipts</b>                            |                                            |                                            |                                              |
| Cash sales                                      | <b>7 200</b>                               | <b>6 800</b>                               | ✓7 600                                       |
| Receipts from debtors                           | <input checked="" type="checkbox"/> 74 034 | <input checked="" type="checkbox"/> 66 609 | <input checked="" type="checkbox"/> 62 019   |
| Fixed deposit                                   |                                            | ✓50 000                                    |                                              |
| Sale of equipment                               | ✓10 400                                    | ✓7 500                                     | <b>7 500</b>                                 |
| <b>Total Receipts</b>                           | <b>91 634</b>                              | <b>130 909</b>                             | <b>77 119</b>                                |
| <b>Cash Payments</b>                            |                                            |                                            |                                              |
| Cash purchases                                  | <b>7 200</b>                               | <b>6 800</b>                               | ✓7 600                                       |
| Payments to creditors                           | <b>32 000</b>                              | <b>35 200</b>                              | ✓28 800                                      |
| Repayment of loan                               | <b>2 000</b>                               | <b>2 000</b>                               | ✓2 000                                       |
| Salaries and wages                              | ✓17 920                                    | ✓19 712                                    | ✓19 712                                      |
| Fixed cash expenses                             | <b>4 480</b>                               | <b>4 480</b>                               | ✓4 480                                       |
| Advertising                                     | <b>1 440</b>                               | ✓1 360                                     | ✓1 520                                       |
| Sundry expenses                                 | <b>7 000</b>                               | ✓7 900                                     | ✓8 295                                       |
| Purchase of equipment                           |                                            |                                            | ✓21 000                                      |
| Drawings                                        | <b>20 000</b>                              | ✓20 000                                    | ✓40 000                                      |
| <b>Total Payments</b>                           | <b>92 040</b>                              | <b>97 452</b>                              | <b>133 407</b>                               |
| <b>Cash surplus / deficit</b>                   | <b>(406)</b>                               | <input checked="" type="checkbox"/> 33 457 | <input checked="" type="checkbox"/> (56 288) |
| <b>Bank (Opening balance)</b>                   | <b>8 570</b>                               | <input checked="" type="checkbox"/> 8 164  | <input checked="" type="checkbox"/> 41 621   |
| <b>Bank (Closing balance)</b>                   | <b>8 164</b>                               | <input checked="" type="checkbox"/> 41 621 | <input checked="" type="checkbox"/> 14 667   |

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## QUESTION 5

| <b>5.1.1 Income Statement for the year ended 29 February 2016</b> |                                               |
|-------------------------------------------------------------------|-----------------------------------------------|
| Sales [1 715 450✓ - 106 000✓ - 6 000✓]                            | ✓1 603 450                                    |
| Cost of sales [1 093 000✓ - 4 000✓]                               | ✓ [1 089 000]                                 |
| <b>Gross Profit</b>                                               | <input checked="" type="checkbox"/> 514 450   |
| <b>Other Operating Incomes</b>                                    | <input checked="" type="checkbox"/> 141 250   |
| Rent Income [125 000✓ - 10 000✓]                                  | <input checked="" type="checkbox"/> 115 000   |
| Discount received                                                 | ✓2 700                                        |
| Trading stock surplus                                             | ✓3 250                                        |
| Decrease in provision for bad debts                               | ✓✓300                                         |
| Commission income                                                 | ✓20 000                                       |
| <b>Gross Operating Income</b>                                     | <input checked="" type="checkbox"/> 655 700   |
| <b>Operating Expenses</b>                                         | <input checked="" type="checkbox"/> [515 610] |
| Salaries [181 000✓ - 11 200✓ - 890✓ - 112✓]                       | <input checked="" type="checkbox"/> 168 798   |
| Wages                                                             | ✓124 320                                      |
| Bad debts [4 060✓ + 10 780✓]                                      | <input checked="" type="checkbox"/> 14 840    |
| Insurance [28 200✓ - 4 800✓]                                      | <input checked="" type="checkbox"/> 23 400    |
| Accounting Fees [46 000 + 2 000]                                  | ✓ 48 000                                      |
| Consumable stores                                                 | ✓✓23 120                                      |
| Discount allowed                                                  | ✓6 902                                        |
| Sundry expenses                                                   | ✓62 000                                       |
| Depreciation                                                      | ✓44 230                                       |
| <b>Operating Profit</b>                                           | <input checked="" type="checkbox"/> 140 090   |
| Interest income (2 100 ✓ + 6 340 ✓)                               | <input checked="" type="checkbox"/> 8 440     |
| Profit before interest expense                                    | 148 530                                       |
| Interest expense                                                  | ✓✓✓ [14 550]                                  |
| <b>Net Income for the year</b>                                    | <input checked="" type="checkbox"/> 133 980   |

| 5.1.2 | Trade and Other Receivables                       |                |
|-------|---------------------------------------------------|----------------|
|       | Debtors' control [76680 – 6000✓ – 4620✓ – 10780✓] | ✓55 280        |
|       | <b>Provision for bad debts</b>                    | <b>[3 900]</b> |
|       | Net Trade Debtors                                 | 51 380         |
|       | Accrued income                                    | ✓20 000        |
|       | Prepaid expenses                                  | ✓ 4 800        |
|       | Pension Fund                                      | ✓1 780         |
|       | UIF                                               | ✓ 224          |
|       |                                                   | 78 184         |

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| 5.1.3 | Balance Sheet on 29 February 2016            |                |
|-------|----------------------------------------------|----------------|
|       | <b>ASSETS</b>                                |                |
|       | <b>Non-Current Assets</b>                    | ☑954 370       |
|       | <b>Tangible Assets</b>                       | <b>898 030</b> |
|       | Financial Assets                             | ✓56 340        |
|       | <b>Current Assets</b>                        | ☑191 134       |
|       | Inventories [51000 ✓ + 3250✓ + 280✓] + 4 000 | ☑58 530        |
|       | Trade and other receivables                  | ☑78 184        |
|       | Cash and cash equivalents                    | ✓61 420        |
|       | <b>Total Assets</b>                          | ☑1 152 504     |

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| <b>5.2.1</b> | <b>Calculate the Debt : Equity ratio for 2016 and supply a suitable explanation for your finding.</b>                           |
|              | <p style="text-align: center;">600 000 : 900 000 ✓</p> <p style="text-align: center;">0,67 : 1 ✓</p> <p>Low level of risk ✓</p> |

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| <b>5.2.2</b> | <b>Calculate the Acid Test Ratio for 2016.</b>                                                      |
|              | <p style="text-align: center;">125 000✓ : 150 000✓</p> <p style="text-align: center;">0,83 : 1☑</p> |

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| <b>5.2.3</b> | <b>Calculate the period for which enough stock is on hand on 29 February 2016.</b>                                                               |
|              | <p>(137 500)</p> <p><math>\frac{(125\ 000✓ + 150\ 000✓)}{2✓} \times 365</math></p> <p>650 000✓</p> <p style="text-align: center;">77,2 DAYS☑</p> |

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| <b>5.2.4</b> | <b>Comment on the liquidity of the business. Use THREE relevant financial indicators to support your answer.</b>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                        |
|              | <p>Any 2 Indicator✓✓ figure✓✓ Trend✓✓</p> <ul style="list-style-type: none"> <li>▪ The acid test ratio is 0,83 : 1 and the current ratio is 1,67 : 1. Therefore, the business will experience difficulty in settling its short term debts without having to sell stock</li> <li>▪ The stock turnover has decreased from 5,6 in 2015 to 4,7 times in 2016. This indicates that the purchasing policy needs to be reviewed.</li> <li>▪ The period for which enough stock is on hand has increased from 45 to 77 days. The business is stockpiling and this could lead stock becoming obsolete.</li> </ul> |

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**QUESTION 6.1**

| <b>General Ledger of Metal Manufacturers</b> |    |                            |           |     |    |                        |           |
|----------------------------------------------|----|----------------------------|-----------|-----|----|------------------------|-----------|
| <b>6.1.1</b>                                 |    | <b>Raw Materials Stock</b> |           |     |    |                        |           |
| Mar                                          | 1  | Balance                    | ✓129 440  | Feb | 29 | Direct Materials Cost✓ | ✓978 880  |
| Feb                                          | 29 | Creditors' Control✓        | ✓981 440  |     |    | Balance                | ✓132 000  |
|                                              |    |                            | 1 110 880 |     |    |                        | 1 110 880 |
| Mar                                          | 1  | Balance                    | 132 000   |     |    |                        |           |

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| <b>6.1.2</b> |    | <b>Work-in-Process Stock</b> |           |     |    |                       |            |
|--------------|----|------------------------------|-----------|-----|----|-----------------------|------------|
| Mar          | 1  | Balance                      | ☑119 790  | Feb | 29 | Finished Goods Stock✓ | ☑1 832 000 |
| Feb          | 29 | Direct Materials Cost✓       | ☑978 880  |     |    | Balance               | ✓93 640    |
|              |    | Direct Labour Cost✓          | ✓248 360  |     |    |                       |            |
|              |    | Factory Overhead Cost✓       | ☑578 610  |     |    |                       |            |
|              |    |                              | 1 925 640 |     |    |                       | 1 925 640  |
| Mar          | 1  | Balance                      | ✓93 640   |     |    |                       |            |

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| <b>6.1.3</b> |    | <b>Finished Goods stock</b> |            |     |    |                |            |
|--------------|----|-----------------------------|------------|-----|----|----------------|------------|
| Mar          | 1  | Balance                     | ✓36 000    | Feb | 29 | Cost of Sales✓ | ✓1 800 000 |
| Feb          | 29 | Work-in-process stock✓      | ☑1 832 000 |     |    | Balance        | ✓68 000    |
|              |    |                             | 1 868 000  |     |    |                | 1 868 000  |
| Mar          | 1  | Balance                     | ✓68 000    |     |    |                |            |

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| <b>6.1.4 Factory Overhead Cost</b> |    |                                                  |           |     |    |                          |          |
|------------------------------------|----|--------------------------------------------------|-----------|-----|----|--------------------------|----------|
| Feb                                | 29 | Indirect labour<br>(84 200 + 2 400)              | ✓86 600   | Feb | 29 | Work-in-Process<br>Stock | ☑578 610 |
|                                    |    | Water and electricity<br>52 400 X 3 / 4          | ✓✓39 300  |     |    |                          |          |
|                                    |    | Rent expense<br>180 800 X 140 / 200              | ✓✓126 560 |     |    |                          |          |
|                                    |    | Salaries                                         | ✓228 000  |     |    |                          |          |
|                                    |    | Indirect materials<br>[3 740✓+51 260✓-<br>9460✓] | ✓45 540   |     |    |                          |          |
|                                    |    | Sundry expenses                                  | ✓52 610   |     |    |                          |          |
|                                    |    |                                                  | 578 610   |     |    |                          | 578 610  |

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**QUESTION 6.2**

|              |                                                |
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| <b>6.2.1</b> | <b>Calculate the total direct labour cost.</b> |
|              | 2 000✓ X 13,60✓ = 27 200✓                      |

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| <b>6.2.2</b> | <b>Calculate the factory overhead cost per unit.</b> |
|              | 16 000✓ / 2 000✓ = R8✓                               |

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| <b>6.2.3</b> | <b>Calculate the break-even point.</b>                                                                                   |
|              | Total Fixed Cost / Contributions per unit [SP / unit - VC / unit]<br>26 000✓ / 24,20✓✓ [51,20 - 27,00] = 1 074.38 units✓ |

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| <b>6.2.4</b> | <b>Mention TWO points that management should consider before changing suppliers.</b>                                                                                                                            |
|              | Any 2 ✓✓ ✓✓<br><ul style="list-style-type: none"> <li>• Check the quality of the raw materials.</li> <li>• Confirm the availability of supply.</li> <li>• Check the credentials of the new supplier.</li> </ul> |

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