



basic education

Department:
Basic Education
REPUBLIC OF SOUTH AFRICA

NATIONAL SENIOR CERTIFICATE

GRADE 12

ACCOUNTING

NOVEMBER 2015

MEMORANDUM

MARKS: 300

MARKING PRINCIPLES:

1. Penalties for foreign items are applied only if the candidate is not losing marks elsewhere in the question for that item (no penalty for misplaced item). No double penalty applied.
2. Penalties for placement or poor presentation (e.g. details) are applied only if the candidate is earning marks on the figures for that item.
3. Full marks for correct answer. If answer incorrect, mark the workings provided.
4. If a pre-adjustment figure is shown as a final figure, allocate the part-mark for the working for that figure (not the method mark for the answer).
5. Unless otherwise indicated, the positive or negative effect of any figure must be considered to award the mark. If no + or – sign or bracket is provided, assume that the figure is positive.
6. Where indicated, part-marks may be awarded to differentiate between differing qualities of answers from candidates.
7. This memorandum is not for public distribution, as certain items might imply incorrect treatment. The adjustments made are due to nuances in certain questions.
8. Where penalties are applied, the marks for that section of the question cannot be a final negative.
9. Where method marks are awarded for operation, the marker must inspect the reasonableness of the answer and at least one part must be correct before awarding the mark.
10. In awarding method marks, ensure that candidates do not get full marks for any item that is incorrect at least in part.
11. Be aware of candidates who provide valid alternatives beyond the marking guideline.
12. Codes: f = foreign item; p = placement/presentation.

This memorandum consists of 15 pages.

QUESTION 1

1.1 BANK RECONCILIATION AND INTERNAL CONTROL

1.1.1 Calculate the correct bank balance on 30 June 2015.

Cash Receipts Journal (figures only)		Cash Payments Journal (figures only)
87 220		74 860
✓ 21 000	*OR: 7900 in CRJ & 9700 in CPJ	*✓✓ 1 800
✓✓ 10 500	Both essential: 2 marks	✓ 6 500
	8 960: 3 marks	✓ 2 250
	8750 / 6710 / 2460: 2 marks	✓ 210
	Foreign items -1 (max -2)	85 620
118 720		

Bank balance on 30 June 2015:
 33 100 2 method marks
 See CRJ total See CPJ total
 - 2 300 ✓✓ + 118 720 ✓ - 85 620 ✓ = 30 800 ✓ one part correct
 OR: - 2 300 + 87 220 - 74 860 + 21 000 + 10 500 - 1 800 - 6 500 - 2 250 - 210 = 30 800

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1.1.2 Bank Reconciliation Statement on 30 June 2015

	Alternative	Debit	Credit
Balance per Bank Statement	R20 400	Balancing figure Could be Dr / Cr	R 20 400 ✓
Credit outstanding deposit	18 500		18 500 ✓✓
Debit outstanding cheques:	Could use - signs		
No. 962	(4 500)	R 4 500 ✓✓	
No. 982	(2 200)	2 200 ✓	
No. 986	(1 400)	1 400 ✓	
Balance as per Bank Account	30 800	30 800 ✓	See 1.1.1
		38 900	38 900

-1 incorrect / no details (max -2) Foreign entries -1 (max -2)
 For 2-column method with no Debit/Credit indicated, assume left=Debit and right=Credit.
 For 2-column method with brackets used, do not accept brackets/negatives in any column.

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1.1.3 Refer to Information E. Identify TWO separate problems with evidence from the information. Give advice for EACH problem.

PROBLEM WITH EVIDENCE	ADVICE
Theft / Fraud / Error/ Internal control measures are lacking. Some of the cash slips (R7 000) have not been deposited / recorded. Problem ✓ Evidence ✓ Figures not required	Check that the total of cash slips agree to the total of the deposit slip. ✓ Specific advice required based on evidence.
Rolling of cash / The deposit occurs much later after receipt of cash (15 days). Problem ✓ Evidence ✓ Figures not required	Cash collected must be deposited immediately / Sales person must not deposit cash / Divide duties ✓ Specific advice required based on evidence.

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1.2 DEBTORS' AGE ANALYSIS

1.2.1 As the internal auditor, what concerns would you have over Susan's job description? Explain.

Any ONE valid point ✓✓ **Incomplete / unclear answer: 1 mark**

For 2 marks:

- Lack of division of duties negatively affects internal control.
- Susan is the only person dealing with invoicing and receipt of cash.
- Nobody is checking Susan's work.

For 1 mark:

- Division of duties / Internal control

2

1.2.2 Identify TWO debtors who could have their credit limits increased.

Pillay ✓

Crooks ✓ **-1 for superfluous name (max -2)**

2

1.2.3 Explain THREE different problems reflected by the Debtors' Age Analysis. Give evidence to support your answer.

There must be 3 separate problems i.e. Payment periods + Credit limits + Selling to those who are not settling previous debts

Part-marks for partial answers / partially correct answers

Explanation of problem with evidence	
Problem 1	Problem ✓✓ Slow payers / Non-payers / Lack of adherence to time terms / Possibility of bad debts / Bad Evidence ✓ Specific evidence required i.e. names or figures Some debtors (37% / 18% / 19%) are taking longer than 30/60/90 days to settle debts / (e.g. Muller / Vasco / Aucamp)
Problem 2	Problem ✓✓ Credit limit / Not adhering to credit limit / Bad internal control of credit limits Evidence ✓ Specific evidence required i.e. names or figures Muller is R2 000 over the limit
Problem 3	Problem ✓✓ Sales continue to be made to debtors whose accounts are overdue / Bad control of sales to debtors Evidence ✓ Specific evidence required i.e. names or figures Aucamp / Ndlovu / Muller were allowed to buy even though they have debts which are 60 / 90 days old

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TOTAL MARKS
40

QUESTION 2

2.1 INVENTORY VALUATION

2.1.1 Explain the difference between the *perpetual stock system* and the *periodic stock system*.

Any valid difference with comparison ✓✓ **Incomplete / one-system only explanation: 1 mark**

Expected responses:

Perpetual stock system	Periodic stock system
Cost of sales calculated at point of sale	Cost of sales calculated at end of financial period
Stock value can be determined/ identified at any time (from records)	Stock value determined/identified by stock count
Cost of sales account used	Purchases account used
Stock bought regarded as an asset	Stock bought regarded as an expense

2

2.1.2 Calculate the value of the stock on hand on 28 February 2015 using the weighted-average method.

1 mark only
 $346\ 800 + 3686\ 400$ [150 1 mark X 1 200 1 mark] 1 mark
 $R4\ 033\ 200$ ✓ – $R180\ 000$ ✓✓ x 650 ✓ = $3\ 853\ 200$ 4 marks x 650 1 mark
 300 ✓ + $3\ 230$ ✓ – 150 ✓ **if subtracted** 3 380 3 marks
 7 marks 1 mark
 $= 1\ 140 \times 650 = R741\ 000$ **one part correct**

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2.1.3 Calculate how long (in days) it will take to sell the closing stock of 650 jackets. Use the closing stock in your calculation.

see 2.1.2 **one part correct**
 $\frac{741\ 000 \text{ }}{3\ 853\ 200 \text{ ✓} - 741\ 000 \text{ }}$ x 365 ✓ = 86,9 or 87 days
 $\frac{741\ 000 \text{ }}{4\ 033\ 200 - 180\ 000 \text{ }}$ **see 2.1.2** 2 marks
OR : IF UNITS ARE USED
 1 mark 2 marks 1 mark 1 method mark
 $650 / 2\ 730 \times 365 = 86,9 \text{ or } 87 \text{ days}$

5

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

✓✓ ✓✓ ✓ **one part correct**
 $R632\ 400 + (140 \times R1\ 200) = R800\ 400$
 168 000 3 marks

6

Give ONE reason in favour of changing to the FIFO method. ✓✓

Incomplete / unclear reason: 1 mark

- Gross profit will be higher because closing stock would be higher
- Jackets are discrete products / Easy to count or identify jackets individually
- Value of jackets is continuously changing and valued at more recent/realistic prices

Give ONE reason against changing to the FIFO method. ✓✓

Incomplete / unclear reason: 1 mark

- No need to change as profit will be the same in the long-term
- Unethical to manipulate the profit by changing the method of stock valuation
- Tax would increase in first year as a result of increased profit
- The change would affect comparisons across financial years

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2.2 INTERNAL CONTROL

2.2.1 Calculate the number of shirts stolen.

400 ✓ + 7 380 ✓ – 270 ✓ – 7 200 ✓ = 310 one part correct

Give TWO points of advice.

Any two valid points ✓✓ ✓✓ Award part-marks for incomplete answers

Expected responses for 2 marks:

- Count stock regularly / randomly and check against stock records
- Order smaller quantities, but more frequently
- Improve physical security e.g. controls at entrance / security cameras
- Claim on insurance policy

Expected responses for 1 mark: Stock counts / Security cameras / Insurance

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2.2.2

Product	Comment on stock holding period and give figures	Explanation on how it will affect the business
	Comment ✓ ✓ ✓ Figures ✓ ✓ ✓	✓ ✓ ✓ Alternative valid explanation acceptable Must explain, not list
Jackets	See 2.1.3 87 days on hand which is appropriate / 87 days is too high as they are halfway through winter.	Will be able to meet demand for the winter season.
Shirts	Too few shirts are being kept on hand 14 days.	They are likely to run out of stock and not meet the demand / lose customers.
Jeans	Too many jeans are on hand to support the sales, 319 days.	Could end up not selling these items as fashion changes / Cash tied up in stock.

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2.2.3 Josy is unsure whether she is charging the right prices for her products. Give her advice on EACH product. Quote figures.

Product	Advice with figures
	Any valid advice ✓ ✓ ✓ Figures ✓ ✓ ✓
Jackets	Advice: Maintain / increase the price see 2.1.3 Figures: Sold 2 730 units / 80% of stock sold / 87 days holding period
Shirts	Advice: Maintain / increase the price [Price of R310 not relevant to rate of turnover] Figures: Sold 7 200 units / 93% of stock sold / only 14 days' holding period
Jeans	Advice: Reduce the price Figures: Sold only 320 units / 53% of stock sold / 319 days holding period / 70% mark-up / R350 gross profit on R500 cost

6

TOTAL MARKS
50

QUESTION 3

3.1 PRIDONA LIMITED

3.1.1

Calculation of the correct net profit after tax	
Accept brackets instead of – If no sign, assume + Positive/negative effect & figure must be correct Foreign entries -1 (max -2)	
Incorrect net profit	2 493 600
Trading stock deficit	-11 300 ✓✓
Provision for bad debts adjustment	+2 400 ✓✓
Rent income	-2 800 ✓✓
Insurance	+4 500 ✓✓
Correction of error: Asset disposal	6 800 1 mark +13 600 ✓✓
Correct net profit before tax	2 500 000 ✓ Operation, one part correct, reasonable, must be approx. R2m
Income tax	-750 000 ✓ Accept if no sign
Net profit after tax	1 750 000 ✓ Check operation, NP – tax

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3.1.2 RETAINED-INCOME NOTE ON 30 JUNE 2015

Balance at beginning of year	2 700 000
Net profit after tax	1 750 000 ✓ see 3.1.1
Repurchase of shares (20 000 ✓ x R1,10 ✓✓) OR (50 000 – 28 000) One part correct, must be negative / brackets If 22 000 without brackets or –ve sign, give 3 marks	(22 000) ✓ 1 mark 2 marks
Dividends	(1 475 600) ✓ One part correct, must be negative / brackets
Interim	600 000 ✓
Final (3 980 000 ✓ x 0,22 ✓)	875 600 ✓ One part correct
Balance at end of year	2 952 400 ✓ Operation, one part correct

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3.1.3 PRIDONA LIMITED
BALANCE SHEET AS AT 30 JUNE 2015

ASSETS		
NON-CURRENT ASSETS		8 950 000
Fixed assets at carrying value		8 950 000
CURRENT ASSETS TA-NCA		<input checked="" type="checkbox"/> 1 000 000
Inventories	Must be in final column as 191 900 to get 2 marks	<input checked="" type="checkbox"/> <input checked="" type="checkbox"/> 191 900
Trade and other receivables 316 000 ✓ – 1 000 ✓ + 5 200 ✓ – 9 000 ✓ + 4 500 <input checked="" type="checkbox"/> See 3.1.1 315 000 / 321 200 2 marks [-11 400 +2 400] 1 mark only 320 200 3 marks		<input checked="" type="checkbox"/> 315 700 Operation, one part correct
Cash and cash equivalents Balancing figure		<input checked="" type="checkbox"/> 492 400
TOTAL ASSETS Transfer OE + L		<input checked="" type="checkbox"/> 9 950 000
		11
EQUITY AND LIABILITIES		
ORDINARY SHAREHOLDERS' EQUITY Operation		<input checked="" type="checkbox"/> 8 524 400
Ordinary share capital		5 572 000
Retained income see 3.1.2		<input checked="" type="checkbox"/> 2 952 400
		2
NON-CURRENT LIABILITIES		207 000
Mortgage loan: Custom Bank 262 200 ✓ – 55 200 ✓ <input checked="" type="checkbox"/> Any figure if subtracted 4 600 x 12 2 marks		<input checked="" type="checkbox"/> 207 000 one part correct
		5
CURRENT LIABILITIES Operation		<input checked="" type="checkbox"/> 1 218 600
Trade and other payable see 3.1.1 Operation, one part correct (261 000 ✓ – 1 000 ✓ + 2 800 <input checked="" type="checkbox"/> 260 000 2 marks		<input checked="" type="checkbox"/> 262 800
Current portion of loan See NCL		* <input checked="" type="checkbox"/> <input checked="" type="checkbox"/> 55 200
SARS: Income tax (750 000 ✓ – 725 000 ✓) Operation, one part correct		* <input checked="" type="checkbox"/> 25 000
Shareholders for dividends see 3.1.2		* <input checked="" type="checkbox"/> 875 600
TOTAL EQUITY AND LIABILITIES Operation		<input checked="" type="checkbox"/> 9 950 000
*Items under CL may be combined		12

30

Foreign entries -1 (max -2)
 Presentation / Incorrect or incomplete details -1 (max -2)
 SARS R725 000 may not be shown as a current asset; final balance must be under CL
 Other misplaced BS items are not foreign – simply mark as wrong

3.2 AUDIT REPORT

3.2.1 Choose the correct word from those given in brackets.

Disclaimer ✓

Give a reason. ✓

Must explain that no opinion was expressed / must explain a reason why no opinion was expressed. Mark the reason independent of word chosen above.

The external auditors did not express an opinion on the financial statements of Trimex Ltd

Auditors were unable to express an opinion because they were not able to verify a significant part of the company's transaction

Auditors were unable to express an opinion because there was insufficient evidence

2

3.2.2 Explain TWO consequences of this audit report for the company and/or the CEO.

Any two consequences ✓✓ ✓✓ Award part-marks for incomplete answers

Responses for 2 marks:

- The directors will be held accountable.
- This is a bad publicity / negative point against the image of the company and CEO
- It could affect the share price and demand for shares
- The CEO / Directors might not be re-elected at the next AGM
- Shareholders / investors will lose faith in the directors / company
- Inquiry / investigation into the company or its directors
- The company could be de-listed on the JSE
- The auditors will be more vigilant in future / could increase audit fees if they spend more time on the audits in future.

Responses for 1 mark:

The CEO will be fired / Written warning / Investigation / Suspension.

4

TOTAL MARKS
60

4.3.2 Compare and comment on the dividend pay-out policies of the two companies.

Award part-marks for incomplete answers

	Financial indicators or explanations thereof; with figures	Comparison and comment Do not accept comparison of the DPS only Must mention both companies ✓✓ Can get 1 mark
Don Ltd	DPS 360 cents ✓ EPS 420 cents ✓ OR 2 marks Distributes 86% of earnings	Don Ltd is distributing a higher percentage of income earned; Key Ltd has decided to retain half of EPS. OR Don Ltd appears to keep shareholders satisfied by giving them good dividends; Key Ltd appears to have plans for growth (better long term benefits) / equalisation of dividends over time.
Key Ltd	DPS 490 cents ✓ EPS 980 cents ✓ OR 2 marks Distributes 50% of earnings	

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4.3.3 Comment on the degree of risk and gearing. Explain how this will influence your choice of company.

Award part-marks for incomplete answers

	Financial indicators or explanations thereof with figures Must use D/E and ROTCE	Comparison, must involve a choice Accept valid alternative terminology ✓✓ Can get 1 mark
Don Ltd	D/E ratio 0,3 : 1 ✓ ROTCE 15,6% ✓ OR ROTCE >11,5%	I choose Don Ltd as financial risk is low and gearing is positive (ROTCE exceeds interest) OR I choose Don Ltd for its positive gearing (ROTCE exceeds interest) but they are not making effective use of loans OR I do not choose Key Ltd as there is high financial risk and negative gearing / too much money borrowed and not able to use the funds effectively OR I choose Key Ltd as there is high use of loans and, and if they can improve efficiency (ROTCE), profit would improve significantly.
Key Ltd	D/E ratio 1,6 : 1 ✓ ROTCE 10,2% ✓ OR ROTCE < 11,5%	

6

4.3.4 Apart from the points mentioned above, what other factors would you consider before deciding in which company you are going to invest? Explain TWO points.

Could present factors that they omitted from 4.3.1-4.3.3
Award part-marks for incomplete explanations

Any two valid factors with explanation / figures as explanation ✓✓ ✓✓

Figures not essential

- **ROSHE:** Don Ltd's return (17,2%) is much higher than that of Key Ltd (9,1%)
- **Liquidity:** Key Ltd has a better current ratio (1,5:1) / acid-test ratio (0,8:1).
- **Stock turnover:** Key Ltd is managing stock more efficiently (62 days)
- **Debtors' collection:** Key Ltd's collection period is good (26 days)
- **Corporate social responsibility:** indicates good reputation of company (King Code)
- **Directors:** good professionalism will benefit the company and shareholders
- **Audit report:** indicates if the auditors have detected any problems or not.

4

TOTAL MARKS
65

QUESTION 5

**5.1 BRUCE TRADERS
CASH BUDGET FOR NOVEMBER AND DECEMBER 2015**

CASH BUDGET	NOVEMBER 2015 R	DECEMBER 2015 R
CASH RECEIPTS:		
Cash sales	✓✓ 420 000	399 000
Cash from debtors	536 025	597 975
Commission income	✓ 6 000	✓ 7 000
Total receipts 5 <small>Operation both columns, one part correct</small>	<input checked="" type="checkbox"/> 962 025	1 003 975
CASH PAYMENTS:		
Cash purchases of stock	✓✓ 120 000	114 000
Payments to creditors	520 000	<input checked="" type="checkbox"/> <input checked="" type="checkbox"/> 480 000 <small>If R600 000 -cash Purchases Nov</small>
Sundry expenses	22 500	✓✓ 20 700
Wages and salaries	✓✓✓ 200 000	✓ 256 000
Advertisements	✓✓ 33 000	0
Repayment of loan <small>Any figure</small>	<input checked="" type="checkbox"/> ✓✓✓ 36 000	<small>2 marks if correct figure in wrong column</small>
Interest on loan	✓ 3 780	✓ 3 510
Total payments 17	935 280	874 210
Surplus (deficit) <small>Operation</small>	26 745	<input checked="" type="checkbox"/> 129 765
Opening bank balance	(56 000)	✓ (29 255)
Closing bank balance <small>Operation</small>	(29 255)	<input checked="" type="checkbox"/> 100 510

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Superfluous/foreign entries -1 per item (max – 3) for Advertising for Dec, bad debts, discount, depreciation

5.2 SLEEPEZI BEDS (PTY) LTD

5.2.1 Calculate the percentage increase in the amount budgeted for salaries and wages for October 2015.

$$\frac{1\ 800}{30\ 000} \times \frac{100}{1} = 6\% \quad \checkmark\checkmark \quad \text{\% sign not essential here}$$

Should the employees be satisfied with this? Explain.

Yes / No – compare to inflation rate / compare to directors fees ✓

3

5.2.2 The financial director is pleased with the work being done by the bookkeeper and internal auditor. Identify an expense that indicates that he is correct.

✓ Audit fees

Explain your answer. Any valid explanation ✓✓ Part-marks for partial answers

Expected response for 2 marks:

The audit fees are much lower than expected, which means that they spent less time on the audit / records were in order

Expected response for 1 mark: Audit fees lower than expected

3

5.2.3 Comment on how the new competitor has affected the sales of Sleepezi Beds. Provide figures. Comment ✓✓ Figures ✓✓

Cash sales are ¼ of the amount budgeted
Cash sales projected R1,2m while actual was R300 000
Actual cash sales for Sept were R1,28m and dropped to R300 000 in Oct
Budgeted cash sales was 80% but actually achieved 20%
Sales decreased by 60 beds
Gross profit decreased by R120 000 (R2 000 gross profit per bed)
Sales decreased by R400 000

Explain how Sleepezi Beds has responded to this problem. Provide THREE points. Provide figures.

Part-marks for incomplete explanations Consider other valid alternatives

Point 1	They deliberately increased credit sales (R300 000 was budgeted but R900 000 was sold on credit). Explanation ✓✓ Figures ✓
Point 2	They increased delivery expenses to expand their target market / improve after-sales service. (Budgeted R150 000 but spent R168 000; 12% increase). Explanation ✓✓ Figures ✓
Point 3	They spent R40 000 on advertising (Budgeted R10 000; 300% overspent). / Decreased directors fees by R44 000 to fund more advertising R30 000. Explanation ✓✓ Figures ✓

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5.2.4 Comment on the cash balances. Provide figures.

Any valid comment ✓ Figure/s ✓ Expected responses:

Disappointing / they expected a closing balance of R335 000
The actual balance is an overdraft of R210 000 (difference R545 000)
Actual balance for Sept is R230 000 while Oct reflects an overdraft of R210 000. (Difference R440 000).

Explain how the directors can improve the cash balances in future. Explain TWO points. Any valid comment ✓✓ ✓✓ Award part-marks for incomplete explanations

Expected responses for 2 marks:

Encourage debtors to pay faster	Charge clients for deliveries
Negotiate with creditors for longer payment terms	Take out a loan (to reduce the overdraft and interest)
Raise more capital / issue more shares	Decrease mark-up to increase sales
Move to cheaper premises	Look for alternative income e.g. commission

Expected responses for 1 mark:

Decrease expenses / increase income / decrease rent / increase sales

6

TOTAL MARKS
50

QUESTION 6

6.1 SNAZZY HANDBAGS

PRODUCTION COST STATEMENT ON 30 SEPTEMBER 2015

*Must be in correct section / Accept abbreviations Foreign items -1 (max -2) e.g. S&DC R219 200 & AC R380 000 If categories are incorrectly placed, penalise on mark for details, but mark workings; will also lose method mark on prime cost subtotal	R	
*✓ Direct material cost (976 000 ✓ – 17 000 ✓) One part correct	959 000	✓
*✓ Direct labour cost 1 mark for final correct answer	755 000	✓
Prime Cost Operation DMC + DLC	1 714 000	✓
*✓ Factory overhead cost 14 720 (4 marks) (442 080 ✓ – 20 800 ✓✓ + 2 560 ✓ + 8 320 ✓ + 1 920 ✓ + 1 920 ✓) 12 800 (3 marks) One part correct	436 000	✓
Manufacturing cost Operation, one part correct	2 150 000	✓
Work-in-process (1 October 2014)	74 000	✓
Operation	2 224 000	✓
Work-in-process (30 September 2015) Operation TCOP – subtotal above; Ignore brackets	(36 500)	✓
Total cost of production	2 187 500	✓

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6.2 HEALTHY LIFESTYLE COOKWARE

6.2.1 Calculate the variable cost per unit for 2015.

2 160 000 ✓ / 27 000 ✓ = R 80 ✓ one part correct

3

Calculate the break-even point for 2015.

See above
2 850 000 ✓ / R175 ✓ – R80 ✓ = 30 000 units ✓✓ one part correct
R95 2 marks

5

