



basic education

Department:
Basic Education
REPUBLIC OF SOUTH AFRICA

ACCOUNTING

NOVEMBER 2015

**NATIONAL
SENIOR CERTIFICATE**

GRADE 12

MARKS: 300

TIME: 3 hours

This question paper consists of 19 pages and a 15-page answer book.



QUESTION 1: RECONCILIATION AND AGE ANALYSIS (40 marks; 25 minutes)**1.1 BANK RECONCILIATION AND INTERNAL CONTROL**

The information below relates to Eureka Traders.

REQUIRED:

- 1.1.1 Calculate the correct bank balance on 30 June 2015. (13)
- 1.1.2 Prepare the Bank Reconciliation Statement on 30 June 2015. (8)
- 1.1.3 **Refer to Information E.**
Identify TWO separate problems with evidence. Give advice for EACH problem. (6)

INFORMATION:

A. The following Bank Reconciliation Statement was prepared on 31 May 2015:

Balance as per Bank Statement (unfavourable)		(R13 000)
Outstanding deposit		30 000
Outstanding cheques:		
No. 614 (dated 20 December 2014)	Donation	(10 500)
No. 958 (dated 25 May 2015)	Merchandise	(7 900)
No. 962 (dated 30 July 2015)	Settlement of account	(4 500)
Correction of error		3 600
Balance as per bank account (unfavourable)		(2 300)

NOTE:

- The deposit of R30 000 appeared on the Bank Statement on 14 June 2015.
- The error of R3 600 was corrected by the bank on 10 June 2015.
- Cheque No. 958, issued in May 2015, was reflected on the Bank Statement for June as R9 700. The Bank Statement is correct. The other outstanding cheques have not been presented at the bank.

- B. Provisional totals on 30 June 2015: CRJ: R87 220; CPJ: R74 860
- C. The Bank Statement for June 2015 revealed the following:
- Direct deposit for rent income from the tenant, R21 000
 - Stop order for insurance, R6 500
 - R/D cheque originally received from F Mnisi for R2 250 in settlement of his debt of R2 300
 - Bank charges, R210
 - Balance as per Bank Statement, ?
- D. The following cheques appeared in the Cash Payments Journal and not on the Bank Statement for June 2015:
- No. 982 for R2 200
 - No. 986 for R1 400 (dated 28 July 2015)
- E. The bookkeeper recorded the following entry in the June 2015 CRJ:

Doc.	Date	Details	Analysis	Bank	Sales
CS371-402	30	Cash	18 500	18 500	18 500

This was recorded by the bank on 15 July 2015. The internal auditor has noticed that cash slips, CS371-402, actually total R25 500.



1.2 DEBTORS' AGE ANALYSIS

The information below relates to Max Sportswear.

REQUIRED:

- 1.2.1 **Refer to Information B.**
As the internal auditor, what concerns would you have over Susan's job description? Explain. (2)
- 1.2.2 Identify TWO debtors who could have their credit limits increased. (2)
- 1.2.3 Explain THREE different problems reflected by the Debtors' Age Analysis. Give evidence. (9)

INFORMATION:

- A. The business sells 80% of their stock on credit. Debtors are required to settle their accounts by the end of the month following the sales transaction month.
- B. Susan, the bookkeeper, issues invoices and credit notes and collects cash from debtors.
- C. Debtors' Age Analysis on 31 August 2015:

DEBTORS	CREDIT LIMIT	AMOUNT OWING	CURRENT MONTH	30 DAYS	60 DAYS	90 DAYS
S Muller	R10 000	R12 000	R1 800	R4 200	R2 400	R3 600
L Ndlovu	R5 800	R5 000	R3 100		R1 900	
P Pillay	R3 500	R3 200	R3 200			
B Vasco	R5 000	R5 000		R2 600	R1 600	R800
C Crooks	R4 500	R4 100	R3 500	R600		
R Aucamp	R1 500	R1 400	R500			R900
		R30 700	R12 100	R7 400	R5 900	R5 300
		100%	39%	24%	19%	18%



QUESTION 2: INVENTORY SYSTEMS AND VALUATION (50 marks; 30 minutes)**2.1 INVENTORY VALUATION**

Josy Fashions uses the periodic stock system and the weighted-average method to value stock of jackets. Josy Arrakal owns the business.

REQUIRED:

- 2.1.1 Explain the difference between the *perpetual stock system* and the *periodic stock system*. (2)
- 2.1.2 Calculate the value of the stock on hand on 28 February 2015 using the weighted-average method. (9)
- 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. (5)
- 2.1.4 Josy is considering a change in the method of valuing stock. (6)
- Calculate the value of closing stock using the FIFO method. (6)
 - Give ONE reason in favour of and ONE reason against changing to the FIFO method. (4)

INFORMATION:

Records of jackets for the year ended 30 June 2015:

	UNITS	UNIT PRICE	TOTAL
Opening stock (1 March 2014)	300	R1 156	R346 800
Purchases	3 230		R3 686 400
April 2014	1 400	R1 050	R1 470 000
July 2014	1 320	R1 200	R1 584 000
November 2014	510	R1 240	R632 400
Subtotal	?		R4 033 200
Goods returned (from July purchases)	150	?	?
Sales	2 730	R1 425	R3 890 250
Closing stock (28 February 2015)	650	?	?



2.2 INTERNAL CONTROL

Josy Fashions also sells shirts and jeans.

REQUIRED:

- 2.2.1 Calculate the number of shirts stolen. Give TWO points of advice. (9)
- 2.2.2 Comment on the stock-holding period of EACH product and explain how these would affect the business. Quote figures. (9)
- 2.2.3 Josy is unsure whether she is charging the right prices for her products. Give her advice on EACH product. Quote figures. (6)

INFORMATION:

Summary for the year ended 30 June 2015:

	JACKETS (UNITS)	SHIRTS (UNITS)	JEANS (UNITS)
Number of units sold	2 730	7 200	320
Opening stock	300	400	0
Closing stock	650	270	280
Purchases (less returns)	3 080	7 380	600

Weighted-average cost per unit	See 2.1.2.	R150	R500
Selling price per unit	R1 425	R310	R850
Stock-holding period	See 2.1.3.	14 days	319 days



QUESTION 3: COMPANY FINANCIAL STATEMENTS AND AUDIT REPORT
(60 marks; 35 minutes)

3.1 PRIDONA LIMITED

The following information relates to Pridona Limited. The financial year ended on 30 June 2015. The business uses the perpetual (continuous) inventory system.

REQUIRED:

- 3.1.1 **Refer to Information B.**
Calculate the correct net profit after tax for the year ended 30 June 2015. Indicate a + for increase and a – for decrease. (13)
- 3.1.2 Prepare the Retained Income Note on 30 June 2015. (11)
- 3.1.3 Prepare the Balance Sheet on 30 June 2015. Where notes are NOT required, workings must be shown. (30)

INFORMATION:

- A.** List of balances/totals on 30 June 2015:

BALANCE SHEET ACCOUNTS SECTION	
Ordinary share capital	R5 600 000
Retained income (1 July 2014)	2 700 000
Mortgage loan: Custom Bank	262 200
Fixed assets	8 950 000
Trading stock	203 200
Debtors' control	316 000
Provision for bad debts (1 July 2014)	11 400
Cash and cash equivalents (balancing figure)	?
SARS: Income tax (provisional tax payments)	725 000
Income receivable (accrued)	5 200
Creditors' control	261 000

- B.** Net profit before tax of R2 493 600 was determined BEFORE taking into account the following information:
- (i) Trading stock on 30 June 2015 was valued at R191 900.
 - (ii) Provision for bad debts must be adjusted to R9 000.
 - (iii) Rent for July 2015, R2 800, had been received in advance.
 - (iv) An annual insurance premium of R6 000 was paid for the period 1 April 2015 to 31 March 2016.
 - (v) The auditor discovered that the profit on disposal of a vehicle, R6 800, was incorrectly shown as a loss.
 - (vi) Income tax amounts to R750 000 for the year.

C. Dividends and shares:

- (i) Interim dividends of R600 000 were paid on 31 December 2014.
- (ii) The directors declared a final dividend of 22 cents per share on 30 June 2015 on all shares issued to date. Shares repurchased on 31 May 2015 do not qualify for final dividends.
- (iii) Share capital:

1 July 2014	3 000 000 shares were in issue (R3 900 000)
15 August 2014	1 000 000 new shares were issued at R1,70 each (R1 700 000). This has been recorded.
31 May 2015	20 000 shares were repurchased at R2,50 each from an existing shareholder (R50 000). This has not been recorded.

- D. A debtor's debit balance of R1 000 in the Debtors' Ledger must still be transferred to his account in the Creditors' Ledger.
- E. The mortgage loan from Custom Bank was obtained on 1 April 2014. This will be repaid over 6 years. A fixed loan repayment (excluding interest) is made at the end of each month. The first monthly loan repayment was made on 30 April 2014. All other loan repayments have been made. Interest is not capitalised and has been correctly recorded.

3.2 AUDIT REPORT**REQUIRED:**

3.2.1 Choose the correct word from those given in brackets. Give a reason.

Trimex Ltd received a/an (qualified/unqualified/disclaimer) audit report. (2)

3.2.2 Explain TWO consequences of this audit report for the company and/or the CEO. (4)

INFORMATION:**EXTRACT FROM THE REPORT OF THE INDEPENDENT AUDITORS****Basis for our opinion**

The company's procurement policy states that purchases over R100 000 must be approved by the board of directors and supported by three quotations from independent suppliers.

During the year under review the company purchased two vehicles at a cost of R900 000. This was approved by the CEO without reference to the board. Only one quotation was received.

Audit opinion

Because of the significance of this matter, we have not been able to obtain sufficient audit evidence to provide a basis for an opinion. Accordingly, we do not express an opinion on the financial statements of Trimex Ltd for the year ended 30 June 2015.

Devi & Meyiwa Associates, CA (SA)



QUESTION 4: CASH FLOW STATEMENT AND INTERPRETATION**(65 marks; 40 minutes)****4.1 CONCEPTS**

Give ONE term for each of the following descriptions by choosing a term from the list below. Write only the term next to the question number (4.1.1–4.1.4) in the ANSWER BOOK.

directors' report; Balance Sheet; shareholder; director;
internal auditor; Cash Flow Statement; independent auditor

- 4.1.1 A person employed by a company to check and advise management on the financial control systems (1)
- 4.1.2 The person appointed by the shareholders who expresses an unbiased opinion on the financial statements of a company (1)
- 4.1.3 A person appointed to manage a company and make decisions to ensure its smooth running (1)
- 4.1.4 The financial statement that shows the financial position of a business on a certain date (1)

4.2 SENZO LTD

The information below relates to Senzo Ltd.

REQUIRED:

- 4.2.1 Calculate the following figures that will appear on the Cash Flow Statement:
- Income tax paid (5)
 - Proceeds from disposal of fixed assets (carrying value) (5)
 - Net change in cash and cash equivalents. Indicate whether this is a net inflow or net outflow of cash. (5)
- 4.2.2 Complete the section of the Cash Flow Statement for cash effects of financing activities. (12)
- 4.2.3 Calculate the following for the financial year ended 28 February 2015.
- Acid-test ratio (4)
 - Return on shareholders' equity (ROSHE)
(Use average equity in your calculation.) (5)
 - Net asset value (NAV) per share (3)



5.2 SLEEPEZI BEDS (PTY) LTD

You are provided with information for two months ending 31 October 2015.
The business sells one type of bed.

REQUIRED:

- 5.2.1 Calculate the percentage increase in the amount budgeted for salaries and wages for October 2015. Should the employees be satisfied with this? Explain. (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. Explain your answer. (3)
- 5.2.3 A competitor, BB Beds, which sells only for cash, opened a store nearby on 1 October 2015.
- Comment on how the new competitor has affected the sales of Sleepenzi Beds. Provide figures. (4)
 - Explain how Sleepenzi Beds has responded to this problem. Provide THREE points. Provide figures. (9)
- 5.2.4 Cash balances:
- Comment on the cash balances. Provide figures. (2)
 - Explain how the directors can improve the cash balances in future. Explain TWO points. (4)



INFORMATION:**A.** Expected sales, cost of sales and deliveries:

- The business budgets on selling 300 beds per month.
- The cost price of each bed is R3 000 and the selling price is R5 000. No discounts are allowed.
- The stock of beds is replaced in the month of sale.
- Suppliers are paid in the month of purchase.
- The business uses Cape Deliveries to deliver the beds to each customer.

B. Extract from the Cash Budget:

	SEPTEMBER 2015		OCTOBER 2015	
	PROJECTED	ACTUAL	PROJECTED	ACTUAL
Cash surplus (deficit) for month	110 000	125 000	120 000	(440 000)
Cash at beginning of month	105 000	105 000	215 000	230 000
Cash at end of month	215 000	230 000	335 000	(210 000)

C. Extract from the Projected Income Statement:

	SEPTEMBER 2015		OCTOBER 2015	
	PROJECTED	ACTUAL	PROJECTED	ACTUAL
Number of beds sold	300 beds	320 beds	300 beds	240 beds
Cash sales	1 200 000	1 280 000	1 200 000	300 000
Credit sales	300 000	320 000	300 000	900 000
Total sales	1 500 000	1 600 000	1 500 000	1 200 000
Cost of sales	(900 000)	(960 000)	(900 000)	(720 000)
Gross profit	600 000	640 000	600 000	480 000
Operating expenses	(313 000)	(323 000)	(407 600)	(374 960)
Directors' fees	80 000	80 000	80 000	36 000
Salaries and wages	30 000	30 000	31 800	31 800
Advertising	10 000	10 000	10 000	40 000
Delivery costs (Cape Deliveries)	150 000	160 000	150 000	168 000
Audit fees	0	0	90 000	50 000
Rent expense	28 000	28 000	30 800	34 160
Sundry expenses	15 000	15 000	15 000	15 000
Operating profit	287 000	317 000	192 400	105 040



QUESTION 6: COST ACCOUNTING**(35 marks; 20 minutes)****6.1 SNAZZY HANDBAGS**

The information below relates to the financial year ended 30 September 2015.
The business manufactures one type of handbag.

REQUIRED:

Prepare the Production Cost Statement on 30 September 2015. Show ALL workings.

(21)

INFORMATION:

A. Figures provided by the bookkeeper on 30 September 2015:

	R
Administration cost	380 000
Direct material cost	976 000
Direct labour cost	755 000
Factory overhead cost	442 080
Selling and distribution cost	219 200
Work-in-process: 1 October 2014	74 000
30 September 2015	?
Total cost of production of finished goods	2 187 500

B. An internal audit revealed the following:

- Damaged raw material, valued at R17 000, that had been returned to the supplier was omitted in the calculation of the direct material cost.
- The factory overhead cost total included the full amount of R62 400 for rent expense. Only $\frac{2}{3}$ of this expense must be allocated to the factory. The remainder must be split equally between the office and the sales department.
- The salary of a factory foreman on leave was not recorded. Details of his salary are as follows:

Deduction for SARS: PAYE	R2 560
Deduction for pension fund and UIF	?
Net salary	R8 320

The employer's contribution for pension fund and UIF amounts to R1 920.
The business contributes on a rand-for-rand basis.



6.2 HEALTHY LIFESTYLE COOKWARE

This business manufactures enamel pots.

REQUIRED:

- 6.2.1 Calculate the following for the financial year ended 31 August 2015:
- Variable cost per unit (3)
 - Break-even point (5)
- 6.2.2 Explain why the owner should be concerned about the break-even point and level of production. Provide TWO points. Provide figures. (4)
- 6.2.3 Identify ONE other problem relating to this business. Provide figure(s). (2)

INFORMATION:

	ENAMEL POTS	
	2015	2014
Number of units produced and sold	27 000	32 000
Total fixed cost	R2 850 000	R2 660 000
Total variable cost	R2 160 000	R2 080 000
Selling price per unit	R175	R160
Selling price of competitor	R170	R130
Break-even point in number of units	?	28 000
Total sales	R4 725 000	R4 960 000

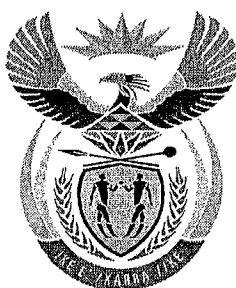
35

TOTAL: 300





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NATIONAL SENIOR CERTIFICATE

GRADE 12

With Compliments From
PRISCILLA HARIJHAN
SUBJECT ADVISOR

DATE:

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.

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
118 720	Foreign items -1 (max -2)	85 620

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

13

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.

8

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.

6

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

9

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
 $R4\ 033\ 200 \checkmark - R180\ 000 \checkmark \checkmark \checkmark \times 650 \checkmark = 3\ 853\ 200$ 4 marks $\times 650$ 1 mark
 $300 \checkmark + 3\ 230 \checkmark - 150 \checkmark$ If subtracted 3 380 3 marks
 7 marks 1 mark
 $= 1\ 140 \times 650 = R741\ 000 \checkmark$ 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
 $\frac{741\ 000 \checkmark}{3\ 853\ 200 \checkmark - 741\ 000 \checkmark} \times 365 \checkmark = 86,9 \text{ or } 87 \text{ days} \checkmark$
 $\frac{4\ 033\ 200 - 180\ 000}{3\ 112\ 200}$ 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.

✓✓ ✓✓ ✓
 $R632\ 400 + (140 \times R1\ 200) = R800\ 400$
 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

4

2.2 INTERNAL CONTROL

2.2.1 Calculate the number of shirts stolen.

$400 \checkmark + 7\ 380 \checkmark - 270 \checkmark - 7\ 200 \checkmark = 310 \checkmark$ one part correct

Give TWO points of advice.

Any two valid points $\checkmark \checkmark \checkmark \checkmark$ 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

9

2.2.2

Product	Comment on stock holding period and give figures Comment $\checkmark \checkmark \checkmark$ Figures $\checkmark \checkmark \checkmark$	Explanation on how it will affect the business $\checkmark \checkmark \checkmark$ 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 $\checkmark \checkmark \checkmark$ Figures $\checkmark \checkmark \checkmark$
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 Operation, one part correct, reasonable, must be approx. R2m	2 500 000 ✓
Income tax Accept if no sign	-750 000 ✓
Net profit after tax Check operation, NP – tax	1 750 000 ✓

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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 see 3.1.1	1 750 000 ✓
Repurchase of shares 1 mark 2 marks (20 000 ¹ ✓ 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) ✓
Dividends One part correct, must be negative / brackets	(1 475 600) ✓
Interim	600 000 ✓
Final (3 980 000 ✓ x 0,22 ✓) One part correct	875 600 ✓
Balance at end of year Operation, one part correct	2 952 400 ✓

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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 101 900 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 (261 000 ✓ – 1 000 ✓ + 2 800 <input checked="" type="checkbox"/>) 260 000 2 marks	Operation, one part correct	<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

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

QUESTION 4

4.1

4.1.1	Internal Auditor	✓	Mark wrong if more than one response for each
4.1.2	Independent Auditor	✓	
4.1.3	Director	✓	
4.1.4	Balance Sheet	✓	

4

4.2 SENZO LTD

4.2.1

Calculate income tax paid.

$$\begin{array}{rcl}
 1\,175\,000 - 846\,000 & \text{Must be both} & \\
 9\,800 \checkmark + 329\,000 \checkmark\checkmark + 6\,400 \checkmark & = & 345\,200 \checkmark \text{ one part correct} \\
 -9\,800 - 329\,000 - 6\,400 & = & -345\,200
 \end{array}$$

Mark one line only. Signs may be reversed but must be consistent.
Ledger T-account may be drafted. Figures could be in brackets.

5

Calculate proceeds from disposal of fixed assets (carrying value).

$$\begin{array}{rcl}
 4\,698\,300 & & 4\,352\,800 \\
 \checkmark & & \checkmark \\
 (2\,598\,300 + 2\,100\,000) - (4\,137\,700 + 215\,100) & = & 345\,500 \checkmark \text{ one part correct} \\
 2\,598\,300 + 2\,100\,000 - 4\,137\,700 - 215\,100 & = & 345\,500 \\
 -2\,598\,300 - 2\,100\,000 + 4\,137\,700 + 215\,100 & = & -345\,500
 \end{array}$$

Mark one line only. Signs may be reversed but must be consistent.
Ledger T-account may be drafted. Figures could be in brackets.

5

Calculate net change in cash and cash equivalents.

$$(153\,000 \checkmark - 2\,500 \checkmark) + 88\,900 \checkmark = 239\,400 \checkmark$$

150 500

OR

$$\begin{array}{rcl}
 1 \text{ mark} & 1 \text{ mark} & 1 \text{ mark} & 1 \text{ mark} \\
 (88\,900 - 2\,500) + 153\,000 & = & 239\,400 \\
 86\,400 & &
 \end{array}$$

Indicate whether this is a net inflow or net outflow of cash.

Net inflow ✓ Depends on calculation above

5

4.2.2

CASH EFFECTS OF FINANCING ACTIVITIES

Proceeds from shares issued
2 967 000 ✓ + 258 000 ✓✓ - 2 520 000 ✓

Re-purchase of shares 2 marks
60 000 ✓ x R5,20 ✓✓ 4,30 + 0,90 both figures together

Increase in non-current liabilities (Loans)

1 093 000 ✓
Operation, one part correct

705 000 ✓*
One part correct, must be inflow
4 marks if amount correct but in brackets

(312 000) ✓*
One part correct must be outflow

700 000 ✓✓
Must be inflow for 2 marks

12

Ledger account formats may be used to show calculations

*If answer is combined as a net inflow, award only 1 method mark on final answer, not 2.

*If net effect has been shown with workings, mark as follows:

$$2\,967\,000 - 2\,520\,000 - 54\,000 = 393\,000$$

1 mark 1 mark 2 marks 1 method mark

4.2.3

Calculate the acid-test ratio for 2015.

$$\frac{340\ 300}{(662\ 300 \checkmark - 322\ 000 \checkmark) : 510\ 500 \checkmark}$$

OR $\frac{245\ 000 + 6\ 400 + 88\ 900}{2\ \text{marks}}$

= 0,7 : 1 ☒ one part correct in the form x : 1 OR 0,67:1 OR 0,66:1 NOT 0,6:1

4

Calculate the return on shareholders' equity (ROSHE) for 2015.
(Use average equity in your calculation.)

$$\frac{846\ 000 \checkmark}{\frac{1}{2} \checkmark (2\ 718\ 000 \checkmark + 3\ 439\ 500 \checkmark)} \times \frac{100}{1}$$

3 078 750 (3 marks)

= 27,5% ☒ one part correct – must be %
OR 27,47% OR 27,48%

5

Calculate the net asset value per share (NAV).

3 439 500 \checkmark \div 690 000 \checkmark \times 100 = 498,5 cents ☒ OR R4,99 Must be Rands or cents
OR 499 cents OR 498,47 cents OR 498,48 cents one part correct

3

4.3 DON LTD AND KEY LTD

4.3.1 Comment on the value of the shares of the two companies on the Johannesburg Securities Exchange (JSE). Explain how this will influence your choice of company.

	Financial indicators or explanations thereof; with figures	Explanation, must involve a choice Do not accept comparison of JSE prices only $\checkmark\checkmark$ 2 marks or nothing
Don Ltd	\checkmark JSE price 400c > NAV 310c \checkmark	I would invest in Don Ltd as the shares seem to be in good demand OR I would not invest in Don Ltd as the shares might be overpriced OR
Key Ltd	\checkmark JSE price 645c < NAV 750c \checkmark	I would invest in Key Ltd as the shares seem to be under-valued OR I would not invest in Key Ltd as the shares might be in low demand

6

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
Key Ltd	DPS 490 cents ✓ EPS 980 cents ✓ OR 2 marks Distributes 50% of earnings	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.

6

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
Key Ltd	D/E ratio 1,6 : 1 ✓ ROTCE 10,2% ✓ OR ROTCE < 11,5%	OR I choose Key Ltd as there is high use of loans and, and if they can improve efficiency (ROTCE), profit would improve significantly.

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>	✓ 962 025	1 003 975
CASH PAYMENTS:		
Cash purchases of stock	✓✓ 120 000	114 000
Payments to creditors	520 000	✓✓ 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>	✓✓✓ 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	✓ 129 765
Opening bank balance	(56 000)	✓ (29 255)
Closing bank balance <small>Operation</small>	(29 255)	✓ 100 510

25

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

3

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

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 ✓

13

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

<small>*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</small>		R	
*✓ Direct material cost (976 000 ✓ - 17 000 ✓) <small>One part correct</small>		959 000	✓
*✓ Direct labour cost <small>1 mark for final correct answer</small>		755 000	✓
Prime Cost <small>Operation DMC + DLC</small>		1 714 000	✓
*✓ Factory overhead cost 14 720 (4 marks) (442 080 ✓ - 20 800 ✓✓ + 2 560 ✓ + 8 320 ✓ + 1 920 ✓ + 1 920 ✓) <small>12 800 (3 marks) One part correct</small>		436 000	✓
Manufacturing cost <small>Operation, one part correct</small>		2 150 000	✓
Work-in-process (1 October 2014)		74 000	✓
<small>Operation</small>		2 224 000	✓
Work-in-process (30 September 2015) <small>Operation TCOP - subtotal above, ignore brackets</small>		(36 500)	✓
Total cost of production		2 187 500	✓

21

6.2 HEALTHY LIFESTYLE COOKWARE

6.2.1 Calculate the variable cost per unit for 2015.

$$2\,160\,000 \checkmark / 27\,000 \checkmark = R\,80 \checkmark \text{ one part correct}$$

3

Calculate the break-even point for 2015.

$$2\,850\,000 \checkmark / R175 \checkmark - R80 \checkmark = 30\,000 \text{ units } \checkmark \checkmark \text{ one part correct}$$

R95 2 marks

5

6.2.2 Explain why the owner should be concerned about the break-even point and level of production. Provide TWO points. Provide figures.

There must be an explanation in each case

Point 1	Current production of 27 000 is less than the break-even point of 30 000 units <small>See 6.2.1</small> Figures ✓ Explanation ✓
Point 2	Low level of production / Decrease in the level of production from 32 000 units in 2014 to 27 000 in 2015. Figures ✓ Explanation ✓

4

OR	BEP increased from 28 000 to 30 000 units <small>See 6.2.1</small> – need to produce more units to break even.

6.2.3

Identify ONE other problem relating to this business. Provide figure(s).

Figures ✓

Problem ✓

Accept valid alternatives

- Increase in VC/u from R65 to R80 / increase in FC of R190 000 / decrease in turnover by R235 000.
- A small percentage increase in selling price (9,4%) is not adequate to cover costs.
- Selling price of R175 is higher than the R170 of the competitor. Difficult to compete in the market for pots.
- Loss made in 2015: $4\,725\,000 - (2\,850\,000 + 2\,160\,000) = (285\,000)$; compared to profit in previous year of R220 000.

2

TOTAL MARKS
35

TOTAL: 300

