



basic education

Department:
Basic Education
REPUBLIC OF SOUTH AFRICA

NATIONAL SENIOR CERTIFICATE

GRADE 12

ACCOUNTING

NOVEMBER 2018

MARKS: 300

TIME: 3 hours

This question paper consists of 21 pages and a 17-page answer book.

INSTRUCTIONS AND INFORMATION

Read the following instructions carefully and follow them precisely.

1. Answer ALL the questions.
2. A special ANSWER BOOK is provided in which to answer ALL the questions.
3. Show ALL workings to achieve part-marks.
4. You may use a non-programmable calculator.
5. You may use a dark pencil or blue/black ink to answer the questions.
6. Where applicable, show ALL calculations to ONE decimal point.
7. Write neatly and legibly.

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

QUESTION 1: 40 marks; 25 minutes	
Topic:	This integrates:
Manufacturing	Managerial accounting Production Cost Statement Break-even analysis Managing resources Internal control

QUESTION 2: 35 marks; 20 minutes	
Topic:	This integrates:
VAT and Creditors' Reconciliation	Financial accounting Creditors' reconciliation VAT calculations Managing resources Internal control

QUESTION 3: 75 marks; 45 minutes	
Topic:	This integrates:
Financial Statements and Audit Report	Financial accounting Concepts, Income Statement, Balance Sheet and Audit Report

QUESTION 4: 70 marks; 40 minutes	
Topic:	This integrates:
Cash Flow Statement and Interpretation	Financial accounting Cash Flow Statement Interpretation of financial information

QUESTION 5: 45 marks; 30 minutes	
Topic:	This integrates:
Inventory Valuation and Fixed Assets	Managing resources Concepts Inventory calculations Fixed asset valuation Internal control

QUESTION 6: 35 marks; 20 minutes	
Topic:	This integrates:
Cash Budgets	Managerial accounting Cash Budget Managing resources Internal control

QUESTION 1: MANUFACTURING

(40 marks; 25 minutes)

1.1 Indicate whether the following statements are TRUE or FALSE. Write only 'true' or 'false' next to the question numbers (1.1.1 to 1.1.3) in the ANSWER BOOK.

1.1.1 Bad debts are an administration cost.

1.1.2 Indirect labour is a factory overhead cost.

1.1.3 Rent expense is a fixed cost. (3)

1.2 **KRIGE SHIRTS**

The business manufactures shirts. The financial year-end is 31 July 2018.

REQUIRED:

1.2.1 **Refer to Information C.**

Calculate direct labour cost. (9)

1.2.2 Production Cost Statement for the year ended 31 July 2018 (12)

INFORMATION:

A.	31 JULY 2018	1 AUGUST 2017
	Work-in-progress stock balance	R35 570

B. **Raw materials** issued to factory: R528 300

C. **Direct labour:**

Number of factory workers	4
Normal time expected per worker per year	1 960 hours
Normal time rate	R90 per hour
Bonuses to workers: 12% of normal wages	
NOTE: One worker worked only 1 680 hours and received a reduced bonus of R12 146.	

D. **Factory overheads** were calculated at R360 880 for the year. However, this excludes insurance of R48 750 paid for the period 1 August 2017 to 31 August 2018. Insurance must be allocated to the factory, administration and sales in the ratio 4 : 3 : 2.

E. **Production for the year:** 17 500 shirts at a cost of R95 per shirt

1.3 GEMMA'S MANUFACTURERS

This business manufactures security gates. The financial year-end is 31 August 2018.

REQUIRED:

- 1.3.1 Calculate the break-even point for the year ended 31 August 2018. (5)
- 1.3.2 Compare and comment on the break-even point and the production level achieved over the last two years. Quote figures. (6)
- 1.3.3 Give TWO reasons for the increase in direct material cost. Suggest ONE way to control this cost. (5)

INFORMATION FOR YEAR ENDED 31 AUGUST:

A.

COSTS		2018		2017
		TOTAL AMOUNT	UNIT COST	UNIT COST
Direct materials	Variable	75 600	R180	R148
Direct labour		105 840	R252	R244
Selling and distribution		60 900	R145	R136
TOTAL VARIABLE COST		242 340	R577	
Factory overheads	Fixed	67 200	R160	R156
Administration		51 660	R123	R127

B. Additional information:

	2018	2017
Total sales	R382 200	R475 200
Selling price per unit	R910	R880
Units produced and sold	420 units	540 units
Break-even point	?	435 units

QUESTION 2: VAT AND CREDITORS' RECONCILIATION (35 marks, 20 minutes)

2.1 VAT

Samson Traders is registered for VAT. The VAT rate is 15%.

REQUIRED:

2.1.1 Calculate the figures indicated by **(a)** to **(d)** in the table below. (10)

2.1.2 You are the internal auditor. The sole owner, Samson, used a business cheque to buy a new car for R460 000 including VAT. This car is kept at home for his wife's use. Samson says the vehicle must be recorded as a business asset and R60 000 must be recorded as a VAT input in the business' books.

Explain what you would say to Samson. Provide TWO points. (4)

INFORMATION:

	EXCLUDING VAT	VAT AMOUNT	INCLUDING VAT
Sales returns	960	(a)	1 104
Purchase of stock	52 600	(b)	
Discount received	(c)	720	
Cash sales		(d)	112 470*

* This includes zero-rated goods that should have been sold for R5 500. The bookkeeper has incorrectly included VAT of R825 on these goods. This must be corrected.

2.2 CREDITORS' RECONCILIATION

Claire Traders buys goods on credit from Mariti Suppliers.

REQUIRED:

2.2.1 Use the table provided to indicate changes to the:

- Creditors' Ledger Account in the books of Claire Traders
- Creditors' Reconciliation Statement on 31 July 2018

(13)

2.2.2 The internal auditor insists that direct payments (EFTs) must be used to pay suppliers. Explain:

- ONE reason to support his decision (2)
- ONE internal procedure to ensure control over this system (2)

2.2.3 Refer to Invoice 301. It was discovered that the store manager, Vernon, had signed a fictitious order form and took the goods for himself when they arrived. Besides dismissing Vernon, provide:

- ONE suggestion for action to be taken against him
 - ONE suggestion to prevent this problem in future
- (4)

INFORMATION:

A. Creditors' Ledger of Claire Traders

MARITI SUPPLIERS (CL5)						
				DEBIT	CREDIT	BALANCE
2018	1	Balance	b/d			67 500
July	10	Invoice 209			81 000	
		EFT		33 750		
	17	Debit Note 674		8 640		
		Invoice 282			40 950	
		Invoice 301			25 000	
	21	Invoice 360			50 250	
	24	Debit Note 995			8 100	
	27	Journal Voucher 570		5 400		
	31	Cheque and discount		77 190		147 820

B. Statement of account from Mariti Suppliers

MARITI SUPPLIERS						
<i>Claire Traders</i>				25 July 2018		
<i>108 Kruger Road</i>						
				DEBIT	CREDIT	BALANCE
2018	1	Balance				67 500
July	10	Invoice 209		81 000		
		Receipt 695			33 750	
	17	Credit Note 741			6 840	
		Invoice 301		25 000		
	21	Invoice 360		20 250		
	24	Credit Note 811			8 100	145 060

C. Differences noted:

- The incorrect entry for Debit Note 674 in the Creditor's Ledger Account of Mariti Suppliers relates to the correct Credit Note 741 on the statement.
- Invoice 282 was incorrectly reflected in the account of Mariti Suppliers in the Creditors' Ledger. The goods were purchased from Genesis Suppliers.
- Invoice 360 was incorrectly recorded on the statement from Mariti Suppliers.
- Mariti Suppliers also purchased goods on credit from Claire Traders. Claire Traders has transferred a debit balance from the Debtors' Ledger (Journal Voucher 570). Mariti Suppliers will offset this on the next statement.
- The transaction on 24 July 2018 is for merchandise returned to Mariti Suppliers.
- The statement reflects transactions up to 25 July 2018.

QUESTION 3: FINANCIAL STATEMENTS AND AUDIT REPORT (75 marks; 45 minutes)

- 3.1 Indicate where EACH of the following items would be placed in the financial statements by choosing a term from the list below. Write only the answer next to the question numbers (3.1.1 to 3.1.4) in the ANSWER BOOK.

non-current assets; current assets; equity; operating expenses; operating income

- 3.1.1 Trade and other receivables
- 3.1.2 Adjustments of provision for bad debts (decrease)
- 3.1.3 Fixed deposit maturing in three years' time
- 3.1.4 Trading stock deficit (4)

3.2 TEMBISO LTD

You are provided with information for the financial year ended 28 February 2018.

REQUIRED:

Complete the following for the year ended 28 February 2018:

- 3.2.1 Income Statement (Statement of Comprehensive Income) (28)
- 3.2.2 Notes to the Balance Sheet (Statement of Financial Position) for:
- Ordinary share capital (7)
 - Retained income (7)
- 3.2.3 Equity and Liabilities section of the Balance Sheet (16)

INFORMATION:

A. Balances/Totals on 28 February:

	2018	2017
Ordinary share capital	8 816 000	6 976 000
Retained income	384 600	376 600
Loan: LSO Bank	?	1 725 500
Trade creditors	414 120	
SARS: Income tax (provisional payments)	341 800	
Sales	?	
Cost of sales	4 856 000	
Total operating income	879 440	
Salaries and wages	501 200	
Audit fees	65 400	
Rent expense	79 240	
Directors' fees	497 800	
Sundry expenses	91 680	
Interest on fixed deposit	?	
Interest on loan	242 500	

B. Adjustments and additional information:

(a) Sale of goods:

The company maintains a mark-up of 40% on cost. Note that old goods costing R96 000 (included in cost of sales) were sold at 10% below cost price.

(b) Audit fees:

75% of the annual fees have been paid.

(c) Directors' fees:

The company has three directors who earn the same fee. One director was paid two months in advance.

(d) Rental:

A storeroom was rented from 1 June 2017 at R11 200 per month. Rent increased by 7,5% on 1 December 2017. Provide for outstanding rent.

(e) Loan: LSO Bank

- Fixed monthly repayments, including interest, are R31 600.
- Capitalised interest amounted to R242 500 for the year ended 28 February 2018.
- Interest for the next financial year is expected to be R162 000.
- Part of the loan will be repaid within the next financial year.

(f) Income tax for 2018:

- R31 300 is still due to SARS.
- The correct net profit after tax is R959 400.

(g) Share capital and dividends:

Authorised share capital: 1 600 000 ordinary shares

1 March 2017	80% of the shares were in issue.
1 May 2017	300 000 shares were repurchased at R465 000 above the average share price.
31 August 2017	Interim dividends paid: 30 cents per share.
31 October 2017	Additional shares were issued.
28 February 2018	Final dividends were declared.

3.3 AUDIT REPORT

Extracts from the audit report of Tembiso Ltd are provided.

INFORMATION:

	<p>To Shareholders</p> <p>We have audited the financial statements set out on pages 8 to 52 ...</p> <p>Opinion</p> <p><i>Point 1</i> In our opinion the financial statements present fairly, in all material respects, the financial position of the company as at 28 February 2018 ...</p> <p><i>Point 2</i> ... in accordance with International Financial Reporting Standards (IFRS) and the requirements of the Companies Act (Act 71 of 2008) of South Africa.</p> <p>Basis for Opinion</p> <p><i>Point 3</i> We are independent of the company ...</p> <p><i>Point 4</i> We have fulfilled our ethical responsibilities, which are consistent with international standards ...</p> <p><i>Point 5</i> ... and the audit evidence obtained is sufficient and appropriate to provide a basis for our opinion.</p>
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REQUIRED:

3.3.1 Refer to points 1 to 3.

Why did the auditors mention these points? Give ONE explanation for EACH point. (5)

3.3.2 Refer to points 4 and 5.

Explain TWO examples of:

- Ethical responsibilities
 - Audit evidence
- (8)

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QUESTION 4: CASH FLOW STATEMENT AND INTERPRETATION

(70 marks; 40 minutes)

You are provided with information about Vooma Limited for the past two financial years ended 30 June. The company is situated in KZN and trades in racing bikes.

REQUIRED:

NOTE: Provide figures or financial indicators (ratios or percentages) and comparisons with the previous year to support comments or explanations.

- 4.1 Calculate the following for 2018:
 - 4.1.1 % operating expenses on sales (2)
 - 4.1.2 Acid-test ratio (4)
 - 4.1.3 % return on shareholders' equity (4)
- 4.2 Calculate the following figures that will appear in the 2018 Cash Flow Statement:
 - 4.2.1 Change in investments (2)
 - 4.2.2 Income tax paid (4)
 - 4.2.3 Fixed assets sold (at carrying value) (5)
- 4.3 Cash flow and financing activities:
 - 4.3.1 Explain why the directors are satisfied with the improvement in cash and cash equivalents since 1 July 2016. (3)
 - 4.3.2 Decisions and gearing in 2018:
 - Identify THREE decisions that the directors made to pay for land and buildings. (6)
 - Explain how these decisions affected:
 - Capital employed
 - Financial gearing (Quote TWO indicators.) (6)
 - 4.3.3 From the Cash Flow Statement identify ONE decision made by the directors in 2017 that they did NOT make in 2018, besides the points mentioned above. Give a possible reason for the decision in 2017. (3)

4.4 Dividends, returns and shareholding for the 2018 financial year:

- On 1 July 2017 there were 800 000 shares in issue.
- On 31 December 2017 interim dividends were paid.
- On 1 January 2018, 200 000 shares were issued to existing shareholders.
- On 30 June 2018 final dividends of 75 cents per share were declared on all shares, but have not yet been paid.

4.4.1 Calculate for the 2018 financial year:

- Total interim dividends paid (3)
- Interim dividends per share (3)

4.4.2 Calculate total dividends earned by Dudu Mkhize for the 2018 financial year. Her shareholding is:

	SHARES PURCHASED	PURCHASE PRICE
31 August 2016	380 000 shares	R7,00
1 January 2018	110 000 shares	R20,00
TOTAL	490 000 shares	

(5)

4.4.3 On 1 January 2018 each shareholder was offered two shares for every five shares owned. Dudu did not buy enough shares to become the majority shareholder.

Calculate the minimum number of additional shares that Dudu should have bought.

(3)

4.5 The directors decided to buy land and buildings in two other provinces in 2018 to solve the problem of low sales that they had previously had in KZN.

4.5.1 Explain:

- Why it was necessary to purchase properties in other provinces instead of in KZN (2)
- Whether the decision to purchase these properties had the desired effect on sales (3)
- Another strategy they used to solve the problem of low sales (3)

4.5.2 The CEO, Ben Palo, wants to communicate other good news to the shareholders at the AGM. Give advice on what he should say about the following topics:

- Earnings per share (3)
- % return earned (3)
- Share price on the JSE (3)

INFORMATION FOR THE YEAR ENDED 30 JUNE:

A. FIGURES IDENTIFIED FROM INCOME STATEMENT:

	2018	2017
Sales	R13 182 000	R7 740 000
Number of bikes sold	1 750 bikes	900 bikes
Mark-up %	58%	72%
Cost of sales	8 330 000	4 500 000
Gross profit	4 852 000	3 240 000
Operating expenses	1 900 000	1 500 000
Depreciation	412 000	275 000
Income tax	819 000	444 000
Net profit after tax	1 911 000	1 036 000

B. EXTRACT FROM BALANCE SHEET ON 30 JUNE:

	2018	2017
Fixed assets (carrying value)	R12 154 000	R8 031 000
Investments	625 000	600 000
Current assets	2 427 000	2 090 000
Inventories	1 652 000	1 250 000
Trade and other receivables	365 000	820 000
SARS: Income tax	0	15 000
Cash and cash equivalents	410 000	5 000
Shareholders' equity	12 112 000	7 191 000
Non-current liabilities (Loan)	1 850 000	2 600 000
Current liabilities	1 244 000	930 000
Trade and other payables	420 000	515 000
Shareholders for dividends	750 000	280 000
SARS: Income tax	74 000	0
Bank overdraft	0	135 000

C. CASH FLOW STATEMENT:

	2018	2017
Cash flows from operating activities	R1 850 000	R1 046 000
Cash generated from operations	3 322 000	1 989 000
Interest paid	?	(260 000)
Dividends paid	(520 000)	(254 000)
Income tax paid	?	(429 000)
Cash flows from investing activities	(4 560 000)	(167 000)
Purchases of land and buildings	(4 840 000)	0
Sale of fixed assets	?	383 000
Change in investments	?	(550 000)
Cash flows from financing activities	3 250 000	(400 000)
Share capital issued	4 000 000	0
Shares repurchased	0	(1 000 000)
Change in non-current liabilities	(750 000)	600 000
Cash and cash equivalents: Net change	540 000	479 000
Opening balance	(130 000)	(609 000)
Closing balance	410 000	(130 000)

D. FINANCIAL INDICATORS:

	2018	2017
Mark-up % achieved	58%	72%
Operating expenses on sales	?	19,4%
Debt-equity ratio	0,2 : 1	0,4 : 1
Acid-test ratio	?	0,9 : 1
Return on shareholders' equity	?	14,4%
Return on capital employed	20,8%	17,8%
Earnings per share	208 cents	130 cents
Dividends per share	?	70 cents
Dividend pay-out rate	50%	54%
Net asset value per share	1 211 cents	899 cents
Market price on stock exchange	2 800 cents	2 100 cents
Interest on loans	12%	12%

QUESTION 5: INVENTORY VALUATION AND FIXED ASSETS

(45 marks; 30 minutes)

- 5.1 Choose a method in COLUMN B that matches the description in COLUMN A. Write only the letters (A–E) next to the question numbers (5.1.1 to 5.1.4) in the ANSWER BOOK.

COLUMN A		COLUMN B	
5.1.1	Assumes that stock is sold in date order as purchased.	A	straight-line method
5.1.2	A unique value is assigned to each stock item.	B	weighted-average method
5.1.3	Depreciation is constant over the useful life of the fixed asset.	C	first-in-first-out method
5.1.4	Depreciation is calculated on the carrying value of the fixed asset.	D	diminishing-balance method
		E	specific identification method

(4 x 1)

(4)

(See QUESTION 5.2 on the next page.)

5.2 PACKER'S SUITCASE SHOP

Charles Packer sells travel suitcases. The year-end is 30 June 2018.

REQUIRED:

- 5.2.1 Calculate the value of the closing stock on 30 June 2018 using the first-in-first-out (FIFO) method. (5)
- 5.2.2 Charles suspects that suitcases have been stolen. Provide a calculation to support his concern. (5)
- 5.2.3 Charles is concerned about the volume of stock on hand.
- Calculate for how long his closing stock is expected to last. (6)
 - State ONE problem with keeping too much stock on hand and ONE problem with keeping insufficient stock on hand. (4)

INFORMATION:

- **Stock balances:**

	UNITS	UNIT PRICE	TOTAL
Opening stock	420	R2 175	R913 500
Closing stock	496		?

- **Purchases, returns and carriage:**

	UNITS	UNIT PRICE	TOTAL
Purchases	3 155		R8 460 850
September 2017	850	R2 250	R1 912 500
December	980	R2 670	R2 616 600
March 2018	875	R2 930	R2 563 750
June* (see returns)	450	R3 040	R1 368 000
Returns* (from June purchases)	25	R3 040	R76 000

- **Sales:** 3 050 travel suitcases were sold at R4 200 each.

5.3 MINDEW LIMITED

The financial year-end is 31 May 2018.

REQUIRED:

5.3.1 Calculate the missing figures indicated by (i) to (v) in the table below. (17)

5.3.2 Explain how the internal auditor should check that movable fixed assets were not stolen. (2)

5.3.3 Land and buildings were bought five years ago for R6 m. Property prices have increased by 20% since then. The directors want to increase the value of this asset and reflect a profit of R1 200 000 in the financial statements.

As an independent auditor, what advice would you give? Provide ONE point. (2)

INFORMATION FOR YEAR-END 31 MAY 2018:

A.	FIXED ASSETS	LAND AND BUILDINGS	COMPUTERS	EQUIPMENT	VEHICLES
	Carrying value: Begin	6 000 000	13 000	1 027 500	1 300 000
	Cost	6 000 000	108 000	1 250 000	2 100 000
	Accumulated depreciation	-	(95 000)	(222 500)	(800 000)
	Movements				
	Additions	(i)	0	172 500	0
	Disposals	0	0	0	(iv)
	Depreciation	0	(ii)	(iii)	(256 000)
	Carrying value: End				
	Cost				
	Accumulated depreciation				(v)

B. Land and buildings:

Grant Construction was paid R882 000 for building new offices (R610 000) and repairing windows (R272 000).

C. Computers:

- The three computers were all bought on the same day at R36 000 each.
- Depreciation is 33⅓% on cost.
- These computers are expected to last another two years.

D. Equipment:

- Additional equipment was purchased on 1 February 2018.
- Depreciation is 10% p.a. on cost.

E. Vehicles:

- Depreciation is 20% p.a. on carrying value.
- A vehicle was sold for cash at carrying value on 31 December 2017.
The Fixed Assets Register reflected the following:

Cost	R176 000
Accumulated depreciation (1 June 2017)	R128 000

QUESTION 6: CASH BUDGETS

(35 marks; 20 minutes)

Donald May owns Breezy Traders that sell air-conditioner units. The budget period ends on 31 October 2018.

REQUIRED:

- 6.1 Complete the Debtors' Collection Schedule for October 2018. (7)
- 6.2 Calculate the amounts indicated by (i) to (iii) in the extract from the Cash Budget. (9)
- 6.3 Calculate the % increase in salaries of sales assistants for October 2018. Explain whether they should be satisfied with this increase. (5)
- 6.4 **Refer to Information E.**

A new competitor moved into the area during September 2018. Donald was not aware of the competitor and did not take any action during September.
 - 6.4.1 Explain the effect of the new competitor on any TWO items in the budget for September. Provide figures. (4)
 - 6.4.2 Identify TWO changes Donald implemented in October in response to the new competitor. Quote figures. Give ONE reason for EACH change. (6)
 - 6.4.3 Explain why Donald feels that his decisions were successful. Provide TWO points (with figures). (4)

INFORMATION:

- A. Cash sales comprise 60% of total sales. Mark-up is 75% on cost.
- B. Debtors pay as follows:
 - 20% in the month of sales and receive 5% discount
 - 55% in the month following the month of sales
 - 22% two months after the month of sales
- C. Stock sold is replaced in the month of sales. 50% of purchases are on credit. Creditors are paid in the month following the month of purchases.

D. Extract from Cash Budget

	SEPTEMBER	OCTOBER
RECEIPTS		
Cash sales	(i)	630 000
Cash from debtors	369 340	?
Rent income*	25 600	(ii)
PAYMENTS		
Payments to creditors	276 000	(iii)
Salaries: Manager	32 400	40 500
Salaries: Sales assistants	92 400	102 102

*NOTE: Rent income will increase by 9% in October 2018.

E. BUDGETED AND ACTUAL FIGURES FOR SEPTEMBER AND OCTOBER

	SEPTEMBER		OCTOBER	
	BUDGETED	ACTUAL	BUDGETED	ACTUAL
Units to sell/sold	240	200	250	300
Selling price per unit	R4 200	R4 200	R4 200	R4 200
Cash sales	?	336 000	630 000	378 000
Credit sales	403 200	504 000	420 000	882 000
Total sales	1 008 000	840 000	1 050 000	1 260 000
Cash purchases	?	?	300 000	252 000
Advertising	10 000	10 000	10 000	10 000
Delivery expenses	80 000	67 200	80 000	138 240
Commission on sales	30 240	25 200	31 520	46 080
Cash surplus/deficit	63 000	22 500	86 500	(12 700)
Cash: Beginning	98 000	98 000	161 000	120 500
Cash: End	161 000	120 500	247 500	107 800

STICKER

CENTRE NUMBER

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EXAMINATION NUMBER

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NATIONAL SENIOR CERTIFICATE

ACCOUNTING

GRADE 12

NOVEMBER 2018

SPECIAL ANSWER BOOK

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

This answer book consists of 17 pages.

QUESTION 1

1.1

1.1.1	
1.1.2	
1.1.3	

3

1.2 KRIGE SHIRTS

1.2.1

Calculate direct labour cost.

--

9

1.2.2 PRODUCTION COST STATEMENT FOR THE YEAR ENDED 31 JULY 2018

Direct material cost	528 300
Prime cost	
Total production cost	
Work-in-progress (1 August 2017)	
Cost of production of finished goods	

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1.3 GEMMA'S MANUFACTURERS

1.3.1 Calculate the break-even point for the year ended 31 August 2018.

5

1.3.2 Compare and comment on the break-even point and the production level achieved over the last two years. Quote figures.

6

1.3.3 Give TWO reasons for the increase in direct material cost. Suggest ONE way to control this cost.

REASONS:

SUGGESTION:

5

TOTAL MARKS
40

QUESTION 2

2.1 VAT

2.1.1

	WORKINGS	ANSWER
(a)		
(b)		
(c)		
(d)		

10

2.1.2

You are the internal auditor. The sole owner, Samson, used a business cheque to buy a new car for R460 000 including VAT. This car is kept at home for his wife's use. Samson says the vehicle must be recorded as a business asset and R60 000 must be recorded as a VAT input in the business' books.

Explain what you would say to Samson. Provide TWO points.

Point 1	
Point 2	

4

2.2 CREDITORS' RECONCILIATION

2.2.1

	CREDITORS' LEDGER: ACCOUNT OF MARITI SUPPLIERS	STATEMENT OF ACCOUNT
Balance	147 820	145 060
(a)		
(b)		
(c)		
(d)		
(e)		
(f)		

13

2.2.2 The internal auditor insists that direct payments (EFTs) must be used to pay suppliers.

Explain ONE reason to support his decision.

2

Explain ONE internal procedure to ensure control over this system.

2

2.2.3 Besides dismissing Vernon, provide ONE suggestion for action to be taken against him.

Provide ONE suggestion to prevent this problem in future.

4

TOTAL MARKS

35

QUESTION 3

3.1

3.1.1	
3.1.2	
3.1.3	
3.1.4	

4

3.2.1 TEMBISO LTD

INCOME STATEMENT FOR THE YEAR ENDED 28 FEBRUARY 2018

Sales	
Cost of sales	(4 856 000)
Gross profit	
Other operating income	879 440
Gross income	
Operating expenses	
Salaries and wages	501 200
Operating profit	
Interest income	
Net profit before interest expense	
Interest expense	
Net profit before tax	
Income tax	
Net profit after tax	959 400

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3.2.2 ORDINARY SHARE CAPITAL

AUTHORISED SHARE CAPITAL

1 600 000 ordinary shares

ISSUED SHARE CAPITAL

1 480 000	Ordinary shares on 28 February 2018	8 816 000

7

RETAINED INCOME

Balance on 1 March 2017	376 600
Ordinary share dividends	
Balance on 28 February 2018	

7

3.2.3 EQUITY AND LIABILITIES SECTION OF THE BALANCE SHEET

SHAREHOLDERS' EQUITY		
Ordinary share capital	8 816 000	
Retained income		
NON-CURRENT LIABILITIES		
CURRENT LIABILITIES		
Trade and other payables		
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES		

16

3.3 AUDIT REPORT

3.3.1

Point 1

Opinion

1

Point 2

IFRS and Companies Act

2

Point 3

Independent

2

3.3.2

Point 4

TWO examples of ethical responsibilities:

Example 1:

Example 2:

4

Point 5

TWO examples of audit evidence:

Example 1:

Example 2:

4

TOTAL MARKS

75

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QUESTION 4

4.1 CALCULATION OF FINANCIAL INDICATORS FOR 2018

4.1.1 Calculate: % operating expenses on sales

Workings	Answer

2

4.1.2 Calculate: Acid-test ratio

Workings	Answer

4

4.1.3 Calculate: % return on shareholders' equity

Workings	Answer

4

4.2 FIGURES FOR 2018 CASH FLOW STATEMENT

4.2.1 Calculate: Change in investments

Workings	Answer

2

4.2.2 Calculate: Income tax paid

Workings	Answer

4

4.2.3 Calculate: Fixed assets sold (at carrying value)

Workings	Answer

5

4.3 EXPLANATIONS ON CASH FLOW STATEMENT

4.3.1 Explain why the directors are satisfied with the improvement in cash and cash equivalents since 1 July 2016. Quote figures.

3

4.3.2 Identify THREE decisions that the directors made to pay for land and buildings.

Decision 1 (with figures)	
Decision 2 (with figures)	
Decision 3 (with figures)	

6

Explain how these decisions affected the capital employed in the 2018 financial year. Quote figures.

Explain how these decisions affected the financial gearing in the 2018 financial year. Quote TWO indicators and their figures.

6

4.3.3 From the Cash Flow Statement identify ONE decision made by the directors in 2017 that they did NOT make in 2018, besides the points mentioned above. Give a possible reason for the decision in 2017.

Decision (with figures)	Possible reason

3

4.4

4.4.1

Workings	Answer

Calculate: Interim dividends per share for the 2018 financial year

Workings	Answer

4.4.2

Workings	Answer

4.4.3

Workings	Answer

4.5.1

Explain why it was necessary to purchase properties in other provinces instead of in KZN.

2

Explain whether the decision to purchase these properties had the desired effect on sales. Quote figures.

3

Explain another strategy they used to solve the problem of low sales. Quote figures.

3

4.5.2 Give advice on what Ben Palo should say about the following topics:

Advice on what to say on earnings per share:

3

Advice on what to say on % return earned:

3

Advice on what to say on share price on the JSE:

3

TOTAL MARKS

70

QUESTION 5

5.1

5.1.1	
5.1.2	
5.1.3	
5.1.4	

4

5.2 PACKER'S SUITCASE SHOP

5.2.1

Calculate the value of the closing stock on 30 June 2018 using the first-in-first-out method.

Workings	Answer

5

5.2.2

Charles suspects that suitcases have been stolen. Provide a calculation to support his concern.

Workings	Answer

5

5.2.3

Charles is concerned about the volume of stock on hand.

Calculate for how long his closing stock is expected to last.

Workings	Answer

6

ONE problem with keeping too much stock on hand:

ONE problem with keeping insufficient stock on hand:

4

5.3 MINDEW LIMITED

5.3.1

	WORKINGS	ANSWER
(i)		
(ii)		
(iii)		
(iv)		
(v)		

17

5.3.2

Explain how the internal auditor should check that movable fixed assets were not stolen.

2

5.3.3

As an independent auditor, what advice would you give? Provide ONE point.

2

TOTAL MARKS
45

QUESTION 6

6.1 Debtors' Collection Schedule for October 2018

MONTHS	CREDIT SALES	SEP. 2018	OCT. 2018
July	369 600	81 312	
August	384 400	211 420	
September	403 200	76 608	
October	420 000		
		369 340	

7

6.2 Calculate:

(i) Cash sales for September

Workings	Answer

(ii) Rent income for October

Workings	Answer

(iii) Payments to creditors in October

Workings	Answer

9

6.3 Calculate the % increase in salaries of sales assistants for October 2018.

Workings	Answer

3

Explain whether the sales assistants should be satisfied with this increase.

2

6.4 Refer to Information E.

6.4.1 Explain the effect of the new competitor on any TWO items in the budget for September. Provide figures.

4

6.4.2 Identify TWO changes Donald implemented in October in response to the new competitor. Quote figures. Give ONE reason for EACH change.

Item (with figures)	Possible reason

6

6.4.3 Explain why Donald feels that his decisions were successful. Provide TWO points (with figures).

Point 1	
Point 2	

4

TOTAL MARKS
35

TOTAL: 300

RE-MARK/RE-CHECK HERMERK/HERSIEN		
Question <i>Vraag</i>	Marks <i>Punte</i>	Initials <i>Voorletters</i>
1		
2		
3		
4		
5		
6		
TOTAL <i>TOTAAL</i>		



basic education

Department:
Basic Education
REPUBLIC OF SOUTH AFRICA

NATIONAL SENIOR CERTIFICATE

GRADE 12

ACCOUNTING

NOVEMBER 2018

MARKING GUIDELINES

MARKS: 300

MARKING PRINCIPLES:

1. Unless otherwise stated in the marking guideline, 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). Note: if figures are stipulated in memo for components of workings, these do not carry the method mark for final answer as well.
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. Operation means 'check operation'. 'One part correct' means operation and one part correct. Note: check operation must be +, -, x, ÷, or per candidate's response.
11. In calculations, do not award marks for workings if numerator & denominator are swapped – this also applies to ratios.
12. In awarding method marks, ensure that candidates do not get full marks for any item that is incorrect at least in part. Indicate with a ☒.
13. Be aware of candidates who provide valid alternatives beyond the marking guideline.
14. Codes: f = foreign item; p = placement/presentation.

These marking guidelines consist of 17 pages.

QUESTION 1

1.1

1.1.1	False	✓
1.1.2	True	✓
1.1.3	True	✓

Accept recognizable abbreviations e.g. T or F

3

1.2 KRIGE SHIRTS

1.2.1

Calculate direct labour cost.

3 ✓ x 1 960 ✓ x 90 ✓	529 200	three marks
529 200 (normal time) x 12%	63 504	✓✓ if 12% of normal time
1 x 1 680 x 90	151 200	✓✓ one part correct
	12 146	✓
	<u>756 050</u>	✓ one part correct
529 200 x 112%		
592 704	+ 151 200	+ 12 146 = 756 050
five marks	two marks	one mark one method mark
705 600	-25 200	63 504
(4 x 1 960 x 90) – 90 (1 960 – 1 680) + (3 x 1 960 x 12%) + 12 146	= 756 050	
three marks	two marks	two method marks one mark one method mark
705 600	84 672	-25 200
(4 x 1 960 x 90) + (705 600 x 12%) – 90(1 960 – 1 680) + (21 168 – 12 146)	= 756 050	
three marks	two marks	two method marks one mark one method mark

9

1.2.2 PRODUCTION COST STATEMENT FOR THE YEAR ENDED 31 JULY 2018

Direct material cost	528 300
Direct labour cost	756 050 ✓
Prime cost	1 284 350 ✓
Factory overhead cost	380 880 ✓
20 000 three marks 45 000 two marks	
360 880 ✓ + $\frac{4}{9}$ ✓ x (48 750 ✓ – 3 750 ✓)	
one mark one mark one mark + one mark for both	
360 880 + (21 667 – 1 667)	
one mark two marks one mark for both	
360 880 + (45 000 – 15 000 – 10 000)	
Total production cost	1 665 230 ✓
Work-in-progress (1 August 2017)	35 570 ✓
	1 700 800
Work-in-progress (31 July 2018)	(38 300) ✓
Cost of production of finished goods	1 662 500 ✓✓

12

Misplaced items (FOHC): award marks but penalise on prime cost

1.3 GEMMA'S MANUFACTURERS

1.3.1 Calculate the break-even point for the year ended 31 August 2018.

$$\begin{array}{r} 118\ 860 \text{ two marks} \\ 67\ 200 \checkmark + 51\ 660 \checkmark \\ \hline 910 \checkmark - 577 \checkmark \\ (180 + 252 + 145) \text{ one mark} \\ -180 - 252 - 145 \text{ one mark} \\ 333 \text{ two marks} \end{array}$$

= 356,9 OR 357 units ☒ one part correct

5

1.3.2 Compare and comment on the break-even point and the production level achieved over the last two years. Quote figures.

Part-marks for partial answers

Compulsory response:

Comparison of the BEP with the level of production of 2018 ✓✓ Figures ✓

Business produced 63 units (15%) more than the BEP (420 – 357) see 1.3.1

OR:

The business made a profit on only 63 units (420 – 357) compared to 105 units last year (540 – 435)

Other optional responses:

Comparison of 2017 and 2018 BEP or production ✓✓ Figures ✓

- BEP decreased from 435 units in 2017 to 357 units in 2018 (78 units; 17,9%)
- The business produced 120 units (22,2%) less than last year (540 – 420)

6

1.3.3 Give TWO reasons for the increase in direct material cost. Suggest ONE way to control this cost.

REASONS:

Any TWO valid reasons. ✓✓ ✓✓ Part marks for partial/incomplete answers.

Inflationary increases / transport costs / increase in fuel price / scarcity.

Wastage due to poor workmanship.

Theft of material (in the factory) due to poor internal controls.

VAT increased to 15%

Change in exchange rate (if raw materials imported)

Changed suppliers (more expensive) / Better quality raw materials

SUGGESTION:

Any ONE valid suggestion ✓ Suggestion may be marked independently of reason

Look for cheaper suppliers without compromising quality.

Negotiate transport and delivery discounts.

Take advantage of bulk discounts.

Recycle waste material / use off-cuts

Train and supervise workers to minimise wastage.

Control stock regularly to identify shortages.

Buy stock as required to avoid stock piling and possible theft.

5

TOTAL MARKS

40

QUESTION 2

2.1 VAT

2.1.1

	WORKINGS	ANSWER
(a)	$1\,104 - 960$	144 ✓
(b)	$52\,600 \times 15\%$	7 890 ✓✓ one part correct
(c)	$\begin{array}{cc} \checkmark & \checkmark \\ 720 \times 100/15 \\ 720 \div 15\% / 720 \div 0,15 \end{array}$	4 800 ✓ one part correct
(d)	$\begin{array}{ccc} \checkmark & \checkmark & \checkmark \\ (112\,470 - 6\,325) \times 15/115 \\ 5\,500 + 825 \\ 106\,145 \text{ two marks} \\ 112\,470 \times \frac{15}{115} \\ \text{OR } 14\,670 - 825 \\ \text{two marks} & \text{one mark} \\ \text{OR } (97\,800 - 5\,500) \times 15\% \\ 92\,300 \text{ two marks} & \text{one mark} \end{array}$	13 845 ✓ one part correct

10

2.1.2

You are the internal auditor. The sole owner, Samson, used a business cheque to buy a new car for R460 000 including VAT. This car is kept at home for his wife's use. Samson says the vehicle must be recorded as a business asset and R60 000 must be recorded as a VAT input in the business' books.

Explain what you would say to Samson. Provide TWO points.

TWO valid points ✓✓ ✓✓ part-marks for partial / incomplete answers; figures not required

Expected responses for two marks:

Be aware of two points within one explanation

- This is tax evasion / he is attempting to reduce the amount due to SARS for VAT (this is illegal and unethical)
- He will be increasing the input VAT, effectively reducing the amount due to SARS.
- He could be fined or imprisoned because it is a criminal offence.
- Personal transactions and business transactions should be kept separate (Business entity concept) / Samson should pay for this out of his private bank account.
- As the car is not used for business purposes, the full amount of R460 000 should either be treated as drawings or a reduction of his capital contribution.

4

2.2 CREDITORS' RECONCILIATION

2.2.1

	CREDITORS LEDGER: ACCOUNT OF MARITI SUPPLIERS	STATEMENT OF ACCOUNT
Balance	147 820	145 060
(a)	+ 1 800 ✓✓	
(b)	- 40 950 ✓✓	
(c)		+ 30 000 ✓✓
(d)		- 5 400 ✓✓
(e)	- 8 100 ✓ - 8 100 ✓ -16 200 two marks	
(f)		- 77 190 ✓✓
	92 470	Both totals reasonable <input checked="" type="checkbox"/> 92 470

Totals may be different; must include the opening balance.
Focus on amounts if lines are mixed up.
Penalty for foreign/superfluous entries; -1 per line provided a mark was scored on that line.

13

2.2.2 The internal auditor insists that direct payments (EFTs) must be used to pay suppliers.

Explain ONE reason to support his decision.

ONE reason ✓✓

part-marks for partial / incomplete answers

It is quick and easy / easier to monitor / efficient / convenient / safer/ cheques may be lost / not time-bound (business hours) / less bank charges / no need to keep track of outstanding cheques / makes claiming cash discounts easier / avoid interest on late payments

2

Explain ONE internal procedure to ensure control over this system.

ONE internal control measure ✓✓

part-marks for partial / incomplete answers

For two marks:

Senior personnel authorized to make internet payments

Two people to authorise an EFT transaction (allocation of duties)

Security codes for users (unique codes) / change codes regularly

Notification from bank (sms / email) when payments are effected

For one mark: Division of duties

2

2.2.3 Besides dismissing Vernon, provide ONE suggestion for action to be taken against him.

ONE valid point ✓✓

Part-marks for partial or unclear answer

Disciplinary hearing / criminal or civil charge / suspension / demotion / transfer to another department / deductions from his salary / written warning

Provide ONE suggestion to prevent this problem in future.

ONE valid suggestion ✓✓

Part-marks for partial or unclear answer

Division or rotation of duties / one person check orders, the other receives stock / Stock records to be updated with every invoice / Proper authorization of orders / Ensure goods received at the gates are supported by order form and invoice / Regular stocks counts to compare to records

4

TOTAL MARKS

35

QUESTION 3

3.1

3.1.1	Current assets ✓	
3.1.2	Operating income ✓	
3.1.3	Non-current asset ✓	Accept recognizable abbreviations e.g. NCA
3.1.4	Operating expense ✓	

4

3.2.1 TEMBISO LTD INCOME STATEMENT FOR THE YEAR ENDED 28 FEBRUARY 2018

	Sales	Choose the line which benefits the candidates 4 760 000 $(4\,856\,000 - 96\,000) \times 1,40 = 6\,664\,000 \checkmark \checkmark^*$ $96\,000 \times 90\% = + 86\,400 \checkmark \checkmark^*$ OR: $(4\,856\,000 \times \frac{140}{100}) - (96\,000 \times \frac{50}{100})$ 6 798 400 48 000 one mark & one method mark one mark & one method mark	6 750 400	<input checked="" type="checkbox"/> *
	Cost of sales		(4 856 000)	
6	Gross profit	Operation	1 894 400	<input checked="" type="checkbox"/>
	Other operating income		879 440	
	Gross income	Operation	2 773 840	<input checked="" type="checkbox"/>
2	Operating expenses		(1 255 000)	<input checked="" type="checkbox"/> *
	Salaries and wages		501 200	
	Audit fees (65 400 ✓ + 21 800 ✓✓) $\times 100/75$ 65 400 $\times 25 \div 75$		87 200	<input checked="" type="checkbox"/> *
	Rent expense (79 240 ✓ + 24 080 ✓✓) 67 200 one mark + 36 120 two marks		103 320	<input checked="" type="checkbox"/> *
	Directors fees (497 800 ✓ – 26 200 ✓✓) $\times 36/38$		471 600	<input checked="" type="checkbox"/> *
	Sundry expenses		91 680	✓
14	Operating profit		1 518 840	<input checked="" type="checkbox"/> *
	Interest income	balancing figure (accept a -ve figure)	56 160	<input checked="" type="checkbox"/>
	Net profit before interest expense	NPBT + Interest expense	1 575 000	<input checked="" type="checkbox"/> *
	Interest expense		(242 500)	✓
	Net profit before tax	NPAT + Inc Tax	1 332 500	<input checked="" type="checkbox"/>
	Income tax	(341 800 + 31 300)	(373 100)	<input checked="" type="checkbox"/> *
6	Net profit after tax		959 400	

28

Foreign items (e.g. Balance Sheet items / dividends; see Principle 1) -1 max

*one part correct

3.2.2 ORDINARY SHARE CAPITAL

AUTHORISED SHARE CAPITAL

1 600 000 ordinary shares

ISSUED SHARE CAPITAL

If no brackets, check operation

1 280 000✓	Ordinary shares on 1 March 2017	6 976 000	✓
(300 000)✓	Shares repurchased (ASP: R5,45)	(1 635 000)	☑*☑* if x 5,45
operation 500 000☑	Shares issued balancing figure	3 475 000	☑ operation
1 480 000	Ordinary shares on 28 February 2018	8 816 000	

7

RETAINED INCOME

If no brackets, check operation

Balance on 1 March 2017	376 600	
Net profit after tax	959 400	✓
Shares repurchased	(465 000)	✓
Ordinary share dividends balancing figure	(486 400)	☑
• Interim dividends (980 000 x 0,30) one part correct	294 000	✓☑
• Final dividends total dividends – interim dividends	192 400	☑
Balance on 28 February 2018	384 600	✓

3.2.3 EQUITY AND LIABILITIES SECTION OF THE BALANCE SHEET

SHAREHOLDERS' EQUITY operation (added)	9 200 600	☑
Ordinary share capital	8 816 000	
Retained income see 3.2.2; do not accept 0	384 600	☑
NON-CURRENT LIABILITIES	1 371 600	
Loan LSO Bank 31 600 x 12 379 200 – 162 000 (1 725 500 ✓ – 379 200 ✓ + 242 500 ✓) – 217 200 ✓ 1 588 800 three marks	1 371 600	☑*
CURRENT LIABILITIES	900 900	☑*
Trade and other payables *could include SFD/SARS:IT/STL (414 120 ✓ + 21 800 ☑ + 24 080 ☑) audit fees rent expense amount – 79 240	460 000	☑*
Shareholders for dividends see 3.2.2	192 400	☑
SARS: Income tax	31 300	✓
Current portion of loan see candidate's NCL -ve above / accept 379 200	217 200	☑
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES	11 473 100 SE + NCL + CL	☑

16

* one part correct

3.3 AUDIT REPORT

3.3.1

Point 1

Opinion ONE valid point ✓

The auditors found no problem to report / unqualified report / statistical sampling used / met the required standard

1

Point 2

IFRS and Companies Act ONE valid point ✓✓

Part-mark for partial answer

For two marks: Must cover local & global points

Companies operate in local and international contexts / may have local and international shareholders / compliance with national and international laws and standards / companies may operate on a global market and engages in international trade and locally / shareholders (investors) may come from all parts of the world / readers in any this country and other countries can understand how financial statements are prepared or presented

For one mark: Partial / incomplete answer

Comply with standards or laws / must comply with South African Companies Act / must comply with international standards

2

Point 3

Independent ONE valid point ✓✓

Part-mark for partial answer

Their opinion is unbiased / they have no personal interest in the company / No conflict of interest / They are authentic. They have high international standards of professionalism to maintain / They have a code of conduct.

2

3.3.2

Point 4

TWO examples of ethical responsibilities:

Any TWO valid examples

✓✓

✓✓

Part-mark for partial answer

No colluding with management to overlook any material matter.
 No accepting bribes or engaging in corruption.
 Care taken in completing the audit and expressing the opinion.
 The readers can rely on the information in the financial statement.
 Being honest in their duties / have integrity / truthfulness / unbiased.
 Complying with King Code or GAAP / Keep up to date with new requirements.

4

Point 5

TWO examples of audit evidence:

Any TWO valid example

✓✓

✓✓

Part-mark for partial answer

Check the internal controls and the efficiency of the internal audit.
 Source documents (provided by external organisations, provide verification)
 Records such as asset registers, stock records etc.
 Policies and procedures of the company
 Report of an audit committee which assess the internal and external audit processes / Internal auditors report on ensuring internal controls are efficient)

4

TOTAL MARKS

75

KEEP THIS PAGE BLANK.

QUESTION 4

4.1 CALCULATION OF FINANCIAL INDICATORS FOR 2018

4.1.1 Calculate: % operating expenses on sales

Workings	Answer
$\frac{1\,900\,000}{13\,182\,000} \times 100$	14,4% ✓ one part correct; accept 14% % sign not necessary

2

4.1.2 Calculate: Acid test ratio

Workings	Answer
$\frac{775\,000 \text{ two marks}}{(2\,427\,000 \checkmark - 1\,652\,000 \checkmark) : 1\,244\,000 \checkmark}$ Or: $\frac{410\,000 + 365\,000}{1\,244\,000}$ one mark one mark one mark	0,6 : 1 ✓ one part correct shown as x : 1

4

4.1.3 Calculate: % return on shareholders' equity

Workings	Answer
$\frac{1\,911\,000 \checkmark}{9\,651\,500 \text{ or } 7\,191\,000 \text{ or } 12\,112\,000} \times \frac{100}{1}$ $\frac{1}{2} (7\,191\,000 + 12\,112\,000) \checkmark \checkmark$ The $\frac{1}{2}$ can only apply if these two figures are added i.e. for the answer of 9651 500	\checkmark 19,8% or 26,5% or 15,8% one part correct; % sign not necessary accept 20% or 26% or 27% or 16%

4

4.2 FIGURES FOR 2018 CASH FLOW STATEMENT

Be aware of alternative arrangements for calculations; accept final answers in brackets
 Final answer need not indicate inflow or outflow – may ignore brackets
 Choose the line which best benefits the candidates.

4.2.1 Calculate: Change in investments

Workings	Answer
	25 000 ✓✓

2

4.2.2 Calculate: Income tax paid

Workings	Answer
$819\,000 \checkmark - 15\,000 \checkmark - 74\,000 \checkmark$ OR – $819\,000 + 15\,000 + 74\,000$ OR ledger account form OR brackets	730 000 ✓ one part correct

4

4.2.3 Calculate: Fixed assets sold (at carrying value)

Workings	Answer
$-12\,154\,000 - 412\,000 + 4\,840\,000 + 8\,031\,000$ Or: $12\,154\,000 + 412\,000 - 4\,840\,000 - 8\,031\,000$ Or: $4\,560\,000 - 4\,840\,000 - 25\,000$ one mark one mark two method marks (see 4.2.1)	305 000 ✓ one part correct

5

4.3 EXPLANATIONS ON CASH FLOW STATEMENT

4.3.1

Explain why the directors are satisfied with the improvement in cash and cash equivalents since 1 July 2016. Quote figures.

ONE valid point ✓✓ relevant figure/s ✓

Part-marks for partial or unclear answers

Response for **three marks** (i.e. comment on two financial years):

Large negative balance of R609 000 (at end of 2016 fin.year) improved to positive R410 000 (at end of 2018 fin.year) / improved by R1 019 000.

OR

Large overdraft of R609 000 (at end of 2016) improved to R130 000 / by R479 000 by the end of the 2017 fin. year. Improvement continued in 2018; the overdraft was eradicated, and C&CE were positive R410 000 at end of 2018 fin. year.

Response for **two marks** (i.e. comment on one financial year):

In 2018 fin. year, C&CE increased from R5 000 to R410 000 / by R405 000 **OR**:

In 2017 fin. year, overdraft of R609 000 decreased to R130 000 / by R479 000 **OR**:

In 2018 fin. year, overdraft of R130 000 was eliminated, C&CE improved to positive R410 000 / by R540 000.

4.3.2

Identify THREE decisions that the directors made to pay for land and buildings.

	Points (with figures)
Decision 1 (with figures)	✓ Issued shares (rights issue): R4m ✓
Decision 2 (with figures)	✓ Sale of fixed assets R305 000 ✓ see 4.2.3
Decision 3 (with figures)	✓ Cash generated from operations; part of R1,85m ✓ / increase of R804 000
Any other valid point e.g.	<ul style="list-style-type: none"> • Items that may influence cash generated from operations R3,32m • Increase in sales R5,4m / due to lower mark-up 72% to 58% • Tax not paid R74 000 • Better collection from debtors (820 000 – 365 000)

Explain how these decisions affected the capital employed in the 2018 financial year. Quote figures.

Any **ONE** of: Must quote appropriate figures ✓✓

- TCE increased by R4,171m / from R9,791m to R13,962m / by 29,9 42,6%
- OSHE increased by R4,921m / by 68,4% / OSC increased by R4m /
- Loan decreased by R750 000

Explain how these decisions affected the financial gearing in the 2018 financial year. Quote TWO financial indicators and their figures. part-mark if figure wrong

TWO relevant financial indicators ✓ ✓ figures and trend ✓ ✓

- Debt/equity ratio improved (decreased) from 0,4: 1 to 0,2:1
- ROTCE improved (increased) from 17,8% to 20,8% (while interest rate is 12%)

4.3.3

From the Cash Flow Statement identify ONE decision made by the directors in 2017 that they did NOT make in 2018, besides the points mentioned above. Give a possible reason for the decision in 2017.

Any one decision ✓ (with figures) ✓	Possible reason ✓
Repurchase of shares, R1m	Satisfy shareholders / improve certain financial indicators; EPS; DPS; NAV
Issued no shares (i.e. Nil)	Maintain ROSHE or EPS or DPS; economic climate not conducive to expansion in previous year
Increased the loan by R600 000	Because they did not issue shares

4.4 DIVIDENDS, RETURNS AND SHAREHOLDING

4.4.1

Calculate: Total interim dividends paid for the 2018 financial year

Workings	Answer
$\begin{array}{ccc} \checkmark & & \checkmark \\ 520\,000 & - & 280\,000 \end{array}$	$\begin{array}{c} \checkmark \\ \text{R}240\,000 \\ \text{one part correct} \end{array}$

Calculate: Interim dividends per share for the 2018 financial year

Workings	Answer
$\frac{\text{see above } 240\,000 \checkmark}{800\,000 \checkmark} \times 100$	$\begin{array}{c} 30 \text{ cents } \checkmark \\ \text{one part correct} \\ \text{accept 30 or R}0,30 \end{array}$

6

4.4.2

Calculate total dividends earned by Dudu Mkhize for the 2018 financial year.

Workings	Answer
$\begin{array}{ccc} \checkmark & \text{see 4.4.1 } \checkmark & \checkmark \quad \checkmark \\ (380\,000 \times 0,3) + (490\,000 \times 0,75) \\ 114\,000 \text{ two marks} & & 367\,500 \text{ two marks} \end{array}$	$\begin{array}{c} 481\,500 \checkmark \\ \text{one part correct} \end{array}$

5

4.4.3

Calculate the minimum number of additional shares that Dudu should have bought.

Workings	Answer
$\begin{array}{ccc} \checkmark & & \checkmark \\ 500\,000 & - & 490\,000 \\ 1\,000\,000 \text{ shares} \times 50\% & & \text{Dudu's shares} \end{array}$ <p>OR: 500 001 – 490 000</p> <p>OR: Accept all figures above in addition to the 110 000 already bought,</p> $\begin{array}{cccc} 500\,000 & - & 380\,000 & +1 \text{ or } +2 \text{ or } +100 \text{ or } 51\% \\ = & 120\,001 & 120\,002 & 120\,100 \quad 130\,000 \end{array}$	$\begin{array}{c} 10\,001 \text{ or } 10\,002 \\ \text{OR } 10\,100 \\ \text{OR } 20\,000 \checkmark \\ \text{one part correct} \end{array}$
<p>Response for one mark: She could have bought 152 000 shares (i.e. $380\,000 \times \frac{2}{5}$)</p>	

3

4.5.1

Explain why it was necessary to purchase properties in other provinces instead of in KZN.

✓✓ Any valid explanation e.g.

Part-marks for unclear / incomplete answers

To increase their target market / to increase sales / to generate new customers / to expand to areas where there is lots of money / because they exhausted the market in KZN / too much competition in KZN / low profits in KZN / to diversify their business operations (e.g. rental income) / because of better value for money in other provinces

2

Explain whether the decision to purchase these properties had the desired effect on sales. Quote figures.

Identify positive effect ✓

Figures ✓✓

one mark for figure without implied comparison

comparison may be implied by the figures for two marks

Sales increased by 850 bikes / from 900 to 1 750 / by 94,4%

OR by R5,442m / from R7,74m to R13,18m / by 70,3%

3

Explain another strategy they used to solve the problem of low sales. Quote figures.

Identify positive effect ✓

Figures ✓✓

one mark for figure without implied comparison

comparison may be implied by the figures for two marks

Decrease in MU% from 72% to 58% / by 14% (led to increased sales)

OR Decreased selling prices reduced from R8 600 to R7 533 / by R1 067

3

4.5.2 Give advice on what Ben Palo should say about the following topics:

Advice on what to say on earnings per share:

Explanation/trend ✓

Figures ✓✓

comparison may be implied by the figures for two marks

one mark for figure without implied comparison

EPS increased by 60% / from 130c to 208c / by 78c (compared to R28 or R12,11)

3

Advice on what to say on % return earned:

Explanation/trend ✓

Figures ✓✓

one mark for figure without implied comparison

comparison may be implied by the figures for two marks

ROSHE (is above returns on alternative investments) increased from 14,4% to 19,8% / 26,5% / 15,8% see 4.1.3

3

Advice on what to say on share price on the JSE:

Explanation/trend ✓

Figures ✓✓

one mark for figure without implied comparison

comparison may be implied by the figures for two marks

Market price increased R21,00 → R28,00

Exceeds NAV R8,99 → R12,11

3

TOTAL MARKS

70

QUESTION 5

5.1

5.1.1	C ✓ / FIFO
5.1.2	E ✓ / Specific Identification
5.1.3	A ✓ / Straight line
5.1.4	D ✓ / Diminishing balance

4

5.2 PACKER'S SUITCASE SHOP

5.2.1 Calculate the value of the closing stock on 30 June 2018 using the first-in-first-out method.

$$\begin{array}{rcl}
 & \text{one mark} & \text{one mark} \\
 425 \checkmark \times R3\,040 \checkmark & 1\,368\,000 - 76\,000 & R\,1\,292\,000 \\
 450 - 25 & & \\
 71 \checkmark \times R2\,930 \checkmark & & R\,208\,030 \\
 496 - 425 \text{ or units above} & & \\
 \hline
 & & R\,1\,500\,030 \checkmark \text{ one part correct}
 \end{array}$$

5

5.2.2 Charles suspects that suitcases have been stolen. Provide a calculation to support his concern.

Choose the line which best benefits the candidates.

$$\begin{array}{rcl}
 (3\,155 - 25) & & \\
 420 + 3\,130 - 3\,050 - 496 = 4 \text{ units} & & \\
 \checkmark \quad \quad \checkmark \quad \quad \checkmark \quad \quad \checkmark & \quad \quad \checkmark & \text{one part correct} \\
 -420 - 3\,130 + 3\,050 + 496 = -4 \text{ units} & &
 \end{array}$$

5

5.2.3 Charles is concerned about the volume of stock on hand.

Calculate for how long his closing stock is expected to last.

$$\begin{array}{rcl}
 1\,500\,030 \checkmark \text{ see 5.2.1} & \times 365 \text{ (or 12)} \checkmark & \\
 913\,500 \checkmark + 8\,384\,850 \checkmark - 1\,500\,030 \checkmark \text{ see 5.2.1} & & \\
 8\,460\,850 - 76\,000 & & \\
 9\,298\,350 \text{ two marks} / 7\,798\,320 \text{ three marks} & & \\
 = 70,2 \text{ days} \checkmark \text{ one part correct} & \text{OR COS: } 913\,500 + 1\,912\,500 + 2\,616\,600 + 2\,355\,720 & \\
 \text{OR: 2,3 months} & \text{one mark [one mark one mark] max. three marks} & \\
 \text{OR: IF UNITS ARE USED:} & & \\
 \text{two marks one mark one method mark} & \text{two marks one mark one method mark} & \\
 496 \times 12 = 1,95 \text{ months} & \text{OR } 496 \times 365 = 59,4 \text{ days} & \\
 3\,050 \text{ two marks} & 3\,050 \text{ two marks} &
 \end{array}$$

6

ONE problem with keeping too much stock on hand: ONE point ✓✓
Part-mark for partial answer

Can become obsolete and therefore useless to customers.
Staff may see less movement in stock and decide to steal.
Cost of storage / lack of storage space.

ONE problem with keeping insufficient stock on hand: ONE point ✓✓
Part-mark for partial answer

Will not meet the needs of consumers – they may go elsewhere to buy.
Loss of income from sales.

4

5.3.1

17

Any ONE point ✓✓

Part-marks for unclear / incomplete answers

- | |
|---|
| |
| 2 |

ONE valid point ✓✓

Part-marks for unclear / incomplete answers

- | |
|---|
| |
| 2 |

45

QUESTION 6

6.1 Debtors' Collection Schedule for October 2018.

MONTHS	CREDIT SALES	SEP. 2018	OCT. 2018
July	369 600	81 312	
August	384 400	211 420	84 568 ✓✓
September	403 200	76 608	221 760 ✓✓
October	420 000		79 800 ✓✓
		369 340	386 128 <input checked="" type="checkbox"/> *

7

*one part correct

6.2 Calculate:

(i) Cash sales for September

$$403\,200 \checkmark \times 60/40 \checkmark = 604\,800 \checkmark \text{ one part correct}$$

$$\text{Or } 1\,008\,000 - 403\,200 = 604\,800 \quad \text{Or } 1\,008\,000 \times 60\% = 604\,800$$

one mark one mark method mark one mark one mark method mark

(ii) Rent income for October

$$25\,600 \times 109\% = 27\,904$$

$$25\,600 + 2\,304 = 27\,904$$

☒ one part correct; must increase

(iii) Payments to creditors in October

$$1\,008\,000 \checkmark \times \frac{100}{175} \checkmark \times 50\% \checkmark = 288\,000 \checkmark \text{ one part correct}$$

576 000 two marks

9

6.3 Calculate the % increase in salaries of sales assistants for October 2018.

$$\frac{102\,102 - 92\,400}{92\,400} \checkmark \times 100 = 10,5\% \checkmark \text{ one part correct}$$

Explain whether the sales assistants should be satisfied with this increase.

Explanation ✓✓

They should be satisfied as a 10,5% increase is a fair increase which is above the current inflation rate.

OR

They may be dissatisfied when compared to the 25% increase to salaries of manager.

3

2

6.4 Refer to Information E:

6.4.1 Explain the effect of the new competitor on any TWO items in the budget for September. Provide figures.

TWO valid points ✓ ✓ figures ✓ ✓

- Total sales decreased from R1 008 000 to R840 000 (by R168 000).
- 40 fewer air-conditioners were sold.
- Cash sales are below budget (R604 800 – R336 000) / increase in credit sales (R504 000 – R403 200).
- Reduced delivery expenses (R67 200) and commission on sale (R25 200) due to poor sales.
- Cash surplus is less than budget (R22 500 compared to R63 000) / cash balance at end is less than expected (R120 500 compared to R161 000).

4

6.4.2 Identify TWO changes Donald implemented in October in response to the new competitor. Quote figures. Give ONE reason for EACH change.

Item (with figures) ✓✓ ✓✓	Possible reason ✓ ✓
Decrease in cash purchases from the expected R300 000 to R252 000 An increase in credit purchases $1\ 260\ 000 \times 100/175 \times 50\% = 360\ 000$ expected Actual: $720\ 000 - 252\ 000 = 468\ 000$	To improve cash flow To ensure supplies for increased sales.
Increased delivery from R67 200 to R138 240 / decided to overspend on delivery budget by R58 240	Offer of free delivery to increase sales volume Wider target market; more units sold
More commission from R25 200 to R46 080 / overspent on commission by R14 560	To motivate sales staff to sell more products
Credit sales increased from R504 000 to R882 000.	Sold on credit to increase number of customers.

Do not accept advertising (no change)

6

6.4.3 Explain why Donald feels that his decisions were successful. Provide TWO points (with figures).

TWO valid points (with figures) ✓✓ ✓✓ **Be aware of two points within one explanation**

- Sales of air-conditioners exceeded budget by 50 units (300 – 250)
- Units sold increased from 200 to 300 / by 100 / by 50%
- Sales were R210 000 over budget (R1 050 000 compared to actual R1 260 000 / by 20%)
- Total sales increased from R840 000 to R1 260 000 / by R420 000 / by 50%
- Increase in credit sales from the expected R420 000 to R882 000 / by R462 000 / by 110%
- Advertising did not increase (remained at R10 000) yet sales increased.

4

TOTAL MARKS

35

TOTAL: 300