



# basic education

Department:  
Basic Education  
**REPUBLIC OF SOUTH AFRICA**

## NATIONAL SENIOR CERTIFICATE

**GRADE 12**

**ACCOUNTING P2**

**NOVEMBER 2020(2)**

**MARKS: 150**

**TIME: 2 hours**

**This question paper consists of 13 pages,  
a formula sheet and a 10-page answer book.**

## INSTRUCTIONS AND INFORMATION

Read the following instructions carefully and follow them precisely.

1. Answer ALL questions.
2. A special ANSWER BOOK is provided in which to answer ALL questions.
3. Show ALL workings to earn part-marks.
4. You may use a non-programmable calculator.
5. You may use a dark pencil or blue/black ink to answer questions.
6. Where applicable, show ALL calculations to ONE decimal point.
7. If you choose to do so, you may use the Financial Indicator Formula Sheet attached at the end of this question paper. The use of this formula sheet is NOT compulsory.
8. Write neatly and legibly.
9. Use the information in the table below as a guide when answering the question paper. Try NOT to deviate from it.

QUESTION	TOPIC	MARKS	MINUTES
1	VAT and Creditors' Reconciliation	25	20
2	Cost Accounting (Manufacturing)	50	40
3	Budgeting	40	30
4	Stock Valuation	35	30
<b>TOTAL</b>		<b>150</b>	<b>120</b>

## QUESTION 1: VAT AND CREDITORS' RECONCILIATION (25 marks; 20 minutes)

### 1.1 VAT

Amahle Traders is registered for VAT. The standard VAT rate is 15%.

#### REQUIRED:

1.1.1 Calculate the figures indicated by (a) to (d) in the table below. (9)

1.1.2 The internal auditor discovered that Amahle has been underpaying the amount due to SARS in respect of VAT, at each submission date. On enquiry, Amahle stated that she used the money to pay business expenses and adjusted the payments later.

Comment on this practice and give Amahle advice. (3)

#### INFORMATION:

	EXCLUDING VAT	INCLUDING VAT	VAT AMOUNT
Invoices received from suppliers	R78 000	R89 700	(a)
Discount received from suppliers	R12 400		(b)
Credit notes issued to customers		(c)	R210
Invoices issued to customers		R158 700*	(d)

\* This includes sales for R9 200 which should have been sold at zero rate. The bookkeeper incorrectly included VAT of R1 200 on these goods.

### 1.2 CREDITORS' RECONCILIATION

Ekasi Traders buys goods on credit from Thembeke Suppliers.

#### REQUIRED:

1.2.1 Use the table provided to indicate changes to the:

- Creditors' Ledger Account in the books of Ekasi Traders
- Creditors' Reconciliation Statement on 30 April 2021 (9)

1.2.2 Refer to Information C(c) about Invoice 395. It was discovered that the purchasing manager, Bradley, had taken these goods for his personal catering business. The owner regards Bradley as a valued member of staff and does not regard this as theft.

What should the owner say to Bradley regarding this incident? Explain TWO points. (4)

# **INFORMATION:**

## **A. Creditors' Ledger Account in the books of Ekasi Traders**

<b>THEMBEKA SUPPLIERS (CL6)</b>						
				<b>DEBIT</b>	<b>CREDIT</b>	<b>BALANCE</b>
2021	1	Balance	b/d			R81 000
April	12	Invoice 220			97 200	178 200
		EFT		40 500		137 700
	18	Debit Note 702		10 300		127 400
		Invoice 289			49 100	176 500
		Invoice 333			30 000	206 500
	24	Debit Note 877			9 700	216 200
	25	Journal voucher 585		6 400		209 800
	31	Cheque and discount		92 600		117 200

## **B. Statement of account from Thembeke Suppliers**

<b>Ekasi Traders</b>					
<b>225 Crocodile Road</b>					
<b>25 April 2021</b>					
			<b>DEBIT</b>	<b>CREDIT</b>	<b>BALANCE</b>
2021	1	Balance			R81 000
April	12	Invoice 220	97 200		178 200
		Receipt 742		40 500	137 700
	18	Credit Note 791		13 100	124 600
		Invoice 333	30 000		154 600
	22	Invoice 395	12 500		167 100
	24	Credit Note 888		9 700	157 400

## **C. Errors, omissions and other information:**

- Invoice 289 was incorrectly reflected in the account of Thembeke Suppliers in the Creditors' Ledger. These goods were purchased from Thami Suppliers.
- Credit Note 791 was recorded incorrectly on the statement of account. This relates to the correct entry for Debit Note 702 in the Creditors' Ledger.
- Invoice 395 on the statement of account was for goods ordered by Ekasi Traders.
- Thembeke Suppliers also purchased goods on credit from Ekasi Traders. Ekasi Traders has transferred a debit balance from the Debtors' Ledger (Journal voucher 585). Thembeke Suppliers will include this on the next statement.
- The transaction on 24 April 2021 is for merchandise returned to Thembeke Suppliers.
- The statement of account reflects transactions up to 25 April 2021.

## QUESTION 2: COST ACCOUNTING (MANUFACTURING) (50 marks; 40 minutes)

### 2.1 PERFECT FIT MANUFACTURERS

The business produces formal shirts. The financial year ended 28 February 2021.

#### REQUIRED:

2.1.1 Prepare the Production Cost Statement.

2.1.2 Calculate:

- Gross profit earned on sale of shirts
- Mark-up % achieved on shirts



(14)

(5)

(2)

#### INFORMATION:

##### A. Stock on hand:

	28 FEBRUARY 2021	1 MARCH 2020
Work-in-progress	?	R230 000
Finished goods	400 shirts, valued using FIFO method	900 shirts at R380 = R342 000

##### B. The bookkeeper calculated the costs below. Some errors were made.

Direct material cost	R1 575 000
Selling and distribution cost	R385 000
Administration cost	R256 400
Direct labour cost	?
Factory overhead cost	R518 800

##### C. Errors and omissions:

- Payment to Quick Deliveries, R75 000 for carriage on raw materials, was incorrectly allocated to selling and distribution cost.
- The entire insurance amount of R25 200 was transferred to the Administration Cost Account. Two-thirds (2/3) of this expense should be allocated to the factory.
- The Factory Overhead Cost Account included an amount of R117 600 for water and electricity. The bookkeeper had incorrectly allocated this expense to factory, administration, and selling and distribution in the ratio 6 : 3 : 1. The correct ratio is 5 : 4 : 1.

##### D. Prime cost: R2 550 000 (after adjustments)

##### E. Production and sales for the year:

- 7 600 shirts were produced at a unit cost of R420 each.
- 8 100 shirts were sold for R4 860 000.

## 2.2 LEATHER MANUFACTURERS

Leather Manufacturers is owned by Tello Andrews. They produce leather purses and leather jackets. The financial year ends on 28/29 February each year.

### REQUIRED:

#### PURSES

- 2.2.1 Calculate the break-even point for purses for the year ended 28 February 2021. (4)
- 2.2.2 Comment on the level of production achieved and the break-even point for purses for 2021. Quote figures. (4)
- 2.2.3 Apart from inflation and wage increases, give TWO other possible reasons for the increase in the direct labour cost per unit for purses. (4)
- 2.2.4 Give TWO reasons for the decrease in the direct material cost per unit for purses. (2)

#### JACKETS

- 2.2.5 Although Tello was aware that importing leather for the jackets would increase the direct material cost per unit, he thought that this would improve the quality of the jackets.
- Explain why the direct material cost per unit for jackets would probably increase if raw material were imported. State TWO points. (2)
  - Provide figures to prove that Tello was correct about the effect this decision would have on the cost of the jackets. (2)
- 2.2.6 Calculate the % increase in the selling price of the jackets. (3)
- 2.2.7 Explain the impact of the increase in the selling price of jackets on the sales and profit. Quote figures or calculations. (4)
- 2.2.8 Tello wants to increase profits on jackets by an additional R250 000 in the next financial year. Assuming the cost structure remains the same, calculate the total number of additional units he must produce to achieve this target. (4)

### INFORMATION:

	PURSES		JACKETS	
	2021	2020	2021	2020
Direct material cost per unit	R100	R125	R360	R180
Direct labour cost per unit	R135	R105	R280	R240
Selling and distribution cost per unit	R20	R30	R60	R45
<b>Total variable cost per unit</b>	<b>R255</b>	<b>R260</b>	<b>R700</b>	<b>R465</b>
Total fixed costs	R936 000	R836 000	R1 706 250	R2 000 000
Number of units produced and sold	24 000	22 000	3 631	6 350
Break-even number of units	?	20 900	3 750	5 000
Selling price per unit	R295	R300	R1 170	R780

### QUESTION 3: BUDGETING

(40 marks; 30 minutes)

Blossom (Pty) Ltd sells expensive ladies' dresses of high quality. They also repair dresses for customers, but they aim to break even on this service.

Customers are allowed to buy dresses for cash or on credit, but they are required to pay cash for all repairs.

The information relates to the budget period ending 31 May 2021.

#### REQUIRED:

3.1 Complete the Debtors' Collection Schedule for March to May 2021. (9)

3.2 Calculate the missing amounts indicated by (a) to (d) in the Cash Budget. (14)

3.3 Refer to Information G and H.

#### Advertising:

- Explain the decisions that the directors took regarding the budgeted and actual expenditure for advertising in May 2021. Quote figures or calculations. (4)
- The directors ask you for a report on the effect that the advertising decisions have actually had on customers and sales in May 2021.
  - Provide TWO points that you would include in your report. Quote figures or calculations. (4)
  - Explain how the decline in the national economy has affected the average amount that customers spent in May 2021. Quote figures. (3)

#### Consumable stores:

Comment on whether the consumable stores have been well controlled or not. Quote figures or calculations. (2)

3.4 Refer to Information F and H.

#### Rental and customers:

The owners of the property, Propco Ltd, informed the directors of Blossom Ltd of the increase in rent planned with effect from 1 April 2021.

In order to economise on rent, the directors asked the owners, Propco Ltd, for a reduction of the area rented from 1 May 2021. Propco Ltd agreed to this request. Calculate the reduction of the area rented (in square metres). (4)

**INFORMATION:**

**A. Total sales and cost of sales:**

	MARCH	APRIL	MAY
Sales	R560 000	R630 000	R770 000
Cost of sales	320 000	360 000	440 000

- Goods are sold at a mark-up of 75% on cost.
- Credit sales are expected to be 65% of total sales.

**B. Expected debtors' collection based on the past:**

- 40% collected in the month of sale, less 6% discount for early payment
- 50% collected in the month following the month of sale
- 8% collected two months after the sale
- 2% regarded as uncollectable two months after the sale



**C. Purchases of stock:**

- All purchases of stock are on credit.
- Trading stock is replaced in the month of sale. A fixed stock level is maintained.
- Creditors are paid in full in the month after purchasing stock.

**D. Loan from Janet Bloom:**

- Janet Bloom has provided a loan to the business at an interest rate of 9% p.a. Interest is not capitalised and one-third of the loan is repaid to her on 31 December each year.
- As the company was still experiencing cash flow problems owing to the Coronavirus lockdown in 2020, Janet agreed to increase her loan to the business on 1 April 2021.

**E. Salaries of sales assistants:**

- The sales assistants all earn the same monthly salary.
- They were promised a 5% increase in salaries with effect from 1 April 2021.
- The business employed two sales assistants in March and planned to employ an additional assistant from 1 April 2021.

**F. Rent and number of customers:**

- The directors secured premises in a local shopping mall from Propco Ltd with enough space to cater for the expected number of customers.
- Rent is charged per square metre according to the floor area. The rent increased by 11% p.a. commencing on 1 April.
- The following figures were identified for planning purposes:

	MARCH	APRIL	MAY
Floor area in square metres (m <sup>2</sup> )	120 m <sup>2</sup>	120 m <sup>2</sup>	?
Rent expense per m <sup>2</sup>	?	?	?
Expected average sales per customer	R7 000	R7 000	R7 000
Expected number of customers	80 customers	90 customers	110 customers



**G. Extract from the Cash Budget:**

	<b>MARCH</b>	<b>APRIL</b>	<b>MAY</b>
<b>RECEIPTS</b>	<b>R</b>	<b>R</b>	<b>R</b>
Cash sales	196 000	(a)	269 500
Cash from debtors	278 369	355 992	?
Fee income (for repairs)	15 000	15 000	15 000
Loan from Janet Bloom (see Information D)		(b)	
<b>PAYMENTS</b>			
Payments to creditors	220 000	320 000	360 000
Salaries of sales assistants (see Information E)	22 400	(c)	?
Wages of repair staff	9 000	10 000	10 000
Consumable stores (for repairs)	4 200	4 200	4 200
Interest on loan	1 365	2 625	2 625
Rent expense (see Information F)	(d)	39 960	39 960
Advertising	10 000	12 000	30 000
Audit fees			60 000

**H. Comparison of budgeted figures to actual figures for May 2021:**

	<b>BUDGETED</b>	<b>ACTUAL</b>
Number of customers	110 customers	135 customers
	<b>R</b>	<b>R</b>
Sales	770 000	690 000
Fee income (repair service)	15 000	21 000
Advertising	30 000	42 000
Consumable stores (for repairs)	4 200	5 520
Wages (for repair staff)	12 000	18 000
Audit fees	60 000	48 000
Rent expense	39 960	31 968
Salaries (shop assistants)	35 280	37 044
Delivery expenses	6 930	4 850
Packing material	19 250	13 480

#### QUESTION 4: STOCK VALUATION

(35 marks; 30 minutes)

- 4.1 Give ONE word/term for each of the following statements. Write only the word/term next to the question numbers (4.1.1 to 4.1.4) in the ANSWER BOOK.

periodic system; FIFO; perpetual system;  
specific identification; weighted average

- 4.1.1 This method is most suitable for inexpensive goods purchased regularly.
- 4.1.2 The closing stock balance is recorded at the most recent prices paid.
- 4.1.3 Individual stock items are valued at the cost price on the purchase invoice.
- 4.1.4 The cost of sales is recorded for every sales transaction. (4 x 1) (4)

#### 4.2 LOTUS ACCESSORIES

The owner is Alex Lotus. The business uses the first-in first-out method to value gas lamps. They decided to sell gas stoves as well, expecting a demand due to increased load shedding. The specific identification method is used to value these stoves.

The financial year-end is 30 April each year.

#### REQUIRED:

- 4.2.1 Calculate the following for the **gas lamps** on 30 April 2021:
- Value of closing stock (using FIFO) (6)
  - Stockholding period in days (using closing stock) (6)
- 4.2.2 Alex suspects that the stock of gas lamps are not well controlled.
- Calculate the number of gas lamps missing. (4)
- 4.2.3 An investigation revealed that Alex's brother (employed at the store) orders gas lamps using the business ordering system, and sells them privately to his friends.
- What should Alex say to his brother when dealing with this matter? Provide TWO points. (4)
- 4.2.4 Calculate the closing stock value for **gas stoves** on 30 April 2021 (using the specific identification method). (5)
- 4.2.5 Alex thinks he should stop selling gas stoves as they are causing a liquidity problem and the profit is low.
- Provide figures to support his opinion. (2)
  - Explain TWO points to convince him NOT to discontinue trading in gas stoves. (4)

**INFORMATION:**

**A. STOCK RECORDS FOR GAS LAMPS:**

	UNITS	UNIT PRICE (R)	AMOUNT (R)
Stock balance on 1 May 2020	230		R12 650
Purchases during the year:	2 750		R193 500
July 2020	650	R60	39 000
September 2020	800	R68	54 400
January 2021	1 100	R75	82 500
March 2021	220	R80	17 600
Returns (from March 2021)	40	?	?
Available for sale	2 940		
Stock balance: 30 April 2021	270	?	?
Total sales	2 180	R140	R305 200

c

**B. STOCK RECORDS FOR GAS STOVES:**

**PURCHASES:**

MONTH	MODEL	UNITS	UNIT PRICE	AMOUNT
August 2020	B-LITE	80	R495	R39 600
October 2020	B-LITE	80	R495	R39 600
	SMART	100	R700	R70 000
February 2021	B-LITE	120	R495	R59 400
	SMART	60	R700	R42 000

**SALES:**

MODEL	UNITS SOLD	SELLING PRICE	AMOUNT
B-LITE	132	R790	R104 280
SMART	54	R980	R52 920

**GROSS PROFIT AND MARK-UP:**

MODEL	COST OF SALES	GROSS PROFIT	MARK-UP
B-LITE	R65 340	R38 940	60%
SMART	R37 800	R15 120	40%

**GRADE 12 ACCOUNTING FINANCIAL INDICATOR FORMULA SHEET**

$\frac{\text{Gross profit}}{\text{Sales}} \times \frac{100}{1}$	$\frac{\text{Gross profit}}{\text{Cost of sales}} \times \frac{100}{1}$
$\frac{\text{Net profit before tax}}{\text{Sales}} \times \frac{100}{1}$	$\frac{\text{Net profit after tax}}{\text{Sales}} \times \frac{100}{1}$
$\frac{\text{Operating expenses}}{\text{Sales}} \times \frac{100}{1}$	$\frac{\text{Operating profit}}{\text{Sales}} \times \frac{100}{1}$
Total assets : Total liabilities	Current assets : Current liabilities
(Current assets – Inventories) : Current liabilities	Non-current liabilities : Shareholders' equity
(Trade & other receivables + Cash & cash equivalents) : Current liabilities	
$\frac{\text{Average trading stock}}{\text{Cost of sales}} \times \frac{365}{1}$	$\frac{\text{Cost of sales}}{\text{Average trading stock}}$
$\frac{\text{Average debtors}}{\text{Credit sales}} \times \frac{365}{1}$	$\frac{\text{Average creditors}}{\text{Cost of sales}} \times \frac{365}{1}$
$\frac{\text{Net income after tax}}{\text{Average shareholders' equity}} \times \frac{100}{1}$	$\frac{\text{Net income after tax}}{\text{Number of issued shares}} \times \frac{100}{1}$ (*See note below)
$\frac{\text{Net income before tax} + \text{Interest on loans}}{\text{Average shareholders' equity} + \text{Average non-current liabilities}} \times \frac{100}{1}$	
$\frac{\text{Shareholders' equity}}{\text{Number of issued shares}} \times \frac{100}{1}$	$\frac{\text{Dividends for the year}}{\text{Number of issued shares}} \times \frac{100}{1}$
$\frac{\text{Interim dividends}}{\text{Number of issued shares}} \times \frac{100}{1}$	$\frac{\text{Final dividends}}{\text{Number of issued shares}} \times \frac{100}{1}$
$\frac{\text{Dividends per share}}{\text{Earnings per share}} \times \frac{100}{1}$	$\frac{\text{Dividends for the year}}{\text{Net income after tax}} \times \frac{100}{1}$
$\frac{\text{Total fixed costs}}{\text{Selling price per unit} - \text{Variable costs per unit}}$	

**NOTE:**

\* In this case, if there is a change in the number of issued shares during a financial year, the weighted-average number of shares is used in practice.

STICKER



CENTRE NUMBER

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EXAMINATION NUMBER

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**NATIONAL SENIOR CERTIFICATE**

**ACCOUNTING P2**

**GRADE 12**

**NOVEMBER 2020(2)**

***SPECIAL ANSWER BOOK***

QUESTION	MARKS	INITIAL	MOD.
1			
2			
3			
4			
TOTAL			

This answer book consists of 10 pages.

## QUESTION 1

### 1.1 VAT

#### 1.1.1

	Workings	Answer
(a)		
(b)		
(c)		
(d)		

9

#### 1.1.2

Comment on this practice and give Amahle advice.

Comment	Advice

3

## 1.2 CREDITORS' RECONCILIATION

### 1.2.1

	Creditors' Ledger Account of Thembeke Suppliers in the Books of Ekasi Traders	Statement of Account from Thembeke Suppliers
Balance	117 200	157 400
(a)		
(b)		
(c)		
(d)		
(e)		
(f)		

9

### 1.2.2

What should the owner say to Bradley regarding this incident? Explain TWO points.

4



**TOTAL MARKS**

**25**

## QUESTION 2

### 2.1 PERFECT FIT MANUFACTURERS

#### 2.1.1 PRODUCTION COST STATEMENT FOR THE YEAR ENDED 28 FEBRUARY 2021

Direct material cost	
Prime cost	2 550 000
Factory overhead cost	
Total manufacturing cost	
Work-in-progress (end)	
Total cost of production	

14
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#### 2.1.2 Calculate: Gross profit earned on sale of shirts.

Workings		Answer
Workings		Answer

5
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2
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**PURSES:**

## Workings

### Answer

4

**2.2.2 Comment on the level of production achieved and the break-even point for purses for 2021. Quote figures.**

4

**2.2.3** Apart from inflation and wage increases, give TWO other possible reasons for the increase in the direct labour cost per unit for purses.

4

**2.2.4 Give TWO reasons for the decrease in the direct material cost per unit for purses.**

2

**JACKETS:**

2.2.5

**Explain why the direct material cost per unit for jackets would probably increase if raw material were imported. State TWO points.**

2

**Provide figures to prove that Tello was correct about the effect this decision would have on the cost of the jackets.**

2

2.2.6

**Calculate the % increase in the selling price of the jackets.**

Workings	Answer

3

2.2.7

**Explain the impact of the increase in the selling price of jackets on the sales and profit. Quote figures or calculations.**

4

2.2.8

**Tello wants to increase profits on jackets by an additional R250 000 in the next financial year. Assuming the cost structure remains the same, calculate the total number of additional units he must produce to achieve this target.**

Workings	Answer

4

<b>TOTAL MARKS</b>
50

### QUESTION 3

#### 3.1 DEBTORS' COLLECTION SCHEDULE FOR MARCH TO MAY 2021

MONTHS	CREDIT SALES R	MARCH R	APRIL R	MAY R
January	204 750	16 380		
February	250 250	125 125	20 020	
March	364 000	136 864	182 000	
April	409 500		153 972	
May				
		278 369	335 992	

9

#### 3.2 AMOUNTS FOR CASH BUDGET

Workings		Amount
(a)	Cash sales for April	
(b)	Increase in loan from Janet Bloom	
(c)	Salaries for April 2021	
(d)	Rent expense for March 2021	

14

#### 3.3 Explain the decisions that the directors took regarding the budgeted and actual expenditure for advertising in May 2021. Quote figures or calculations.

4

The directors ask you for a report on the effect that the advertising decisions have actually had on customers and sales in May 2021.

Provide TWO points that you would include in your report. Quote figures or calculations.

4

Explain how the decline in the national economy has affected the average amount that customers spent in May 2021. Quote figures.

3

Comment on whether the consumable stores have been well controlled or not. Quote figures or calculations.

3

3.4 Calculate the reduction in the area rented (in square metres).

Workings	Answer

4

TOTAL MARKS
40

# QUESTION 4

4.1

4.1.1	
4.1.2	
4.1.3	
4.1.4	

4

4.2 LOTUS ACCESSORIES

4.2.1	<b>Calculate: Value of closing stock for gas lamps (using FIFO)</b>				
	<table> <tr> <th>Workings</th><th>Answer</th></tr> <tr> <td></td><td></td></tr> </table>	Workings	Answer		
Workings	Answer				
	<b>Calculate: Stockholding period in days for gas lamps (using closing stock)</b>				
	<table> <tr> <th>Workings</th><th>Answer</th></tr> <tr> <td></td><td></td></tr> </table>	Workings	Answer		
Workings	Answer				

6

6

4.2.2	<b>Alex suspects that the stock of gas lamps are not well controlled. Calculate the number of gas lamps missing.</b>				
	<table> <tr> <th>Workings</th><th>Answer</th></tr> <tr> <td></td><td></td></tr> </table>	Workings	Answer		
Workings	Answer				
4.2.3	<b>What should Alex say to his brother when dealing with this matter? Provide TWO points.</b>				

4

4

#### 4.2.4

**Calculate the closing stock value for gas stoves on 30 April 2021 (using the specific identification method).**

Workings	Answer

c

#### 4.2.5

**Alex thinks he should stop selling gas stoves as they are causing a liquidity problem and the profit is low. Provide figures to support his opinion.**

2	

**Explain TWO points to convince him NOT to discontinue trading in gas stoves.**

4

<b>TOTAL MARKS</b>
<b>35</b>

**TOTAL: 150**



# basic education

Department:  
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**REPUBLIC OF SOUTH AFRICA**

## NATIONAL SENIOR CERTIFICATE

**GRADE 12**

**ACCOUNTING P2**

**NOVEMBER 2020(2)**

**MARKING GUIDELINES**

**MARKS: 150**

### MARKING PRINCIPLES:

1. Unless otherwise stated in the marking guidelines, 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 reasonableness of answer.
10. Operation means 'check operation'. 'One part correct' means operation and one part correct. Note: check operation must be +, -, x, ÷, or per memo.
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. Note that one comment could contain different aspects.
14. Codes: f = foreign item; p = placement/presentation.

**These marking guidelines consist of 10 pages.**

## QUESTION 1

### 1.1 VAT

#### 1.1.1

	Workings	Answer
(a)	89 700 – 78 000	11 700 ✓
(b)	12 400 x 15% or 15/100 one mark for both figures only if all workings are correct and no other operations done & if there is no final answer	1 860 ✓✓
(c)	210 x 115/15 OR 1 400 + 210 one mark for both figures only if all workings are correct and no other operations done & if there is no final answer	1 610 ✓✓
(d)	149 500 two marks (158 700 – 9 200) ✓✓ x 15/115 ✓  OR 20 700 – 1 200 two marks one mark	19 500 ✓ must be x by 15/115 & one other part correct

9

#### 1.1.2

Comment on this practice and provide Amahle advice.

COMMENT ✓✓ part marks for incomplete / unclear / partial comment	ADVICE ✓
<ul style="list-style-type: none"> <li>Unethical to use money not earned by the business to pay running / operational costs</li> <li>The business is an agent of SARS and must make payments timeously</li> <li>The business can be fined (penalties) for non-compliance / evasion / manipulation / deferring of payment of VAT</li> <li>It could result in a more extensive investigation for irregularities in the future</li> <li>This is rolling over of cash / evasion; which could escalate to a serious problem.</li> </ul>	<ul style="list-style-type: none"> <li>Keep proper records / ensure that the funds are always available to make payments</li> <li>Note submission dates and plan in advance.</li> <li>Only use business funds to cover business commitments / work within the budget</li> </ul>

3



## 1.2 CREDITORS' RECONCILIATION

Accept brackets for negative amounts

or Dr (-) and Cr (+) in the CL and Dr (+) and Cr (-) on the statement

### 1.2.1

	Creditors' Ledger Account of Thembeke Suppliers in the Books of Ekasi Traders	Statement of Account from Thembeke Suppliers
Balance	117 200	157 400
(a)	- 49 100 ✓	
(b)		13 100 – 10 300 ✓✓ + 2 800 No part marks
(c)	+ 12 500 ✓	
(d)		- 6 400 ✓
(e)	- 9 700 - 9 700 one mark one mark ✓✓ -19 400	
(f)		- 92 600 ✓
	61 200 <input checked="" type="checkbox"/> *	61 200

\*Both totals: inspect. Must include opening balances; can be different amounts  
-1 for foreign items per line provided a mark is scored on that line  
(i.e. max could be -6) accept fully correct answers on wrong lines

9

### 1.2.2 What should the owner say to Bradley regarding this incident? Explain TWO points.

Any TWO valid explanations ✓✓ ✓✓ part marks for incomplete / unclear / partial answers

Do not accept theft or firing / drawings as an explanation

- He should not take advantage of his position in management / abuse of authority / possible conflict of interest
- This can be viewed as wrong (i.e. unethical or devious)
- Against business policy i.e. all transactions must be authorised and documented / compromising internal controls
- He must pay back the money / he could open an account with the business and purchase the goods
- He could negotiate with the owner in advance to get a special price or at cost
- He could be liable for disciplinary action (warning) and could tarnish his good reputation
- Suspension / warning of dismissal / demotion will be considered (if caught again).

4

**TOTAL MARKS**

**25**

## QUESTION 2

### 2.1 PERFECT FIT MANUFACTURERS



#### 2.1.1 PRODUCTION COST STATEMENT FOR THE YEAR ENDED 28 FEBRUARY 2021

For misplaced items, award part-marks for workings but not on answer

<b>Direct material cost</b> 1 575 000 + 75 000	1 650 000 ✓✓ one part correct
Direct labour cost Prime cost – DMC	900 000 ✓
<b>Prime cost</b>	<b>2 550 000</b>
<b>Factory overhead cost</b> one mark one mark - 117 600 + 98 000 (117 600 x 5/6) – 117 600 518 800 ✓ + 16 800 ✓✓ – 19 600 ✓✓ 25 200 x 2/3 or 25 200 – 8 400	516 000 ✓ one part correct
<b>Total manufacturing cost</b> Prime + FOHC	3 066 000 ✓
Work-in-progress (beginning)	230 000 ✓
	3 296 000
<b>Work-in-progress (end)</b> TCP – sub-total above For bracket check if operation is +ve or -ve	(104 000) ✓ don't accept 230 000
<b>Total cost of production</b> 7 600 x R420	3 192 000 ✓✓ no part marks

14

#### 2.1.2 Calculate: Gross profit earned on sale of shirts.

Workings	Answer
<p>see 2.1.1 400 x 420</p> <p>4 860 000 ✓ – (342 000 ✓ + 3 192 000 ✓) – 168 000 ✓ 3 366 000 three marks</p> <p><b>OR:</b> (900 x 220) + (7 200 x 180) one mark one mark one mark one mark 198 000 two marks 1 296 000 two marks</p> <p><b>ALSO:</b> Accept T-account</p>	<p>1 494 000 ✓ one part correct Must be Sales – COS</p> <p>2<sup>nd</sup> method: Must be 2 batches</p>
Workings	Answer
<p>see 2.1.2 above</p> <p><math>\frac{1\,494\,000}{3\,366\,000} \times 100</math> see 2.1.2 (342 000 + 3 192 000 – 168 000)</p> <p>Inspect correct transfer of totals from above; x 100 is not 'one part correct' for the method mark</p> <p><b>OR:</b> 3 366 000 x (100+y/100) = 4 860 000 y = 44,4%</p>	<p>44,4% ✓✓ one part correct must be GP ÷ COS Sign not needed</p>

5

2

## 2.2 LEATHER MANUFACTURERS

### PURSES:

2.2.1 Calculate the break-even point for purses for the year ended 28 February 2021.

Workings	Answer
$\frac{R936\ 000}{R295 - R255}$ <p>R40 two marks</p>	<p>23 400 units <input checked="" type="checkbox"/></p> <p>one part correct must be <math>FC \div \text{Contrib/u}</math> Must not be R, c, % etc Assume units if no other sign</p>

4

2.2.2 Comment on the level of production achieved and the break-even point for purses for 2021. Quote figures.

**Compulsory response:** Do not mark optional responses if marks are earned on compulsory response

Comparison of BEP to level of production for 2021 ✓✓ Figures ✓ ✓

**Optional responses:** Max two marks in total (mark one optional response only)

Comparison of BEP 2021 to 2020 with figures

**OR:** Comparison of Production 2021 to 2020 with figures

**Expected responses for 4 marks:**

- The business produced 600 units more than break-even / profit on 600 units / R24 000 extra profit
- BEP compared to production reflects a profit on 600 units in 2021 compared to a profit on 1 100 units in 2020 / this is a decrease in profits on 500 units (1100 – 600) in 2021 compared to 2020

**Expected response for 2 marks in total:**

- Production increased by 2 000 units (24 000 – 22 000) / to 24 000 units / by 9% and/or BEP increased by 2 500 units (23 400 – 20 900) / to 23 400 / by 12%

4

2.2.3 Apart from inflation and wage increases, provide TWO other possible reasons for the increase in the direct labour cost per unit for purses.

TWO valid reasons ✓✓ ✓✓ Explanations not needed

- Overtime paid at higher rates endorsed or approved / bonus for good performance or extra time / negotiate higher fringe benefits / targets not met during normal time / overtime was needed to meet targets
- Low productivity of workers (not productive or efficient)
- Interruptions (due to malfunctioning machines / load-shedding / COVID-19 lockdown)
- Higher qualifications of workers / employed higher-skilled workers
- Poorly trained workers / lack of supervision / time wasted in re-doing work.

Do not accept: Employ more workers (their inefficiency is the problem) / increase in demand

4

2.2.4 Give TWO reasons for the decrease in the direct material cost per unit for purses.

Any TWO valid reasons ✓ ✓

- Cheaper (new) or local suppliers used
- Took advantage of bulk discounts / negotiated discounts
- Better supervision / less wastage / better control over issuing / use of material
- Better cutting methods / use patterns or technology / better skilled workers / better training of workers
- Cheaper transport costs / petrol costs / using own transport

2

## JACKETS:

2.2.5

**Explain why the direct material cost per unit for jackets would probably increase if raw material is imported. State TWO points.**

TWO valid points ✓ ✓

- Additional / increase in transport costs e.g. freight, shipping
- High quality material not available locally
- Custom duties / import duties / taxes
- Better packaging
- Different / weak exchange rate

2

**Provide figures to prove that Tello was correct about the effect this decision would have on the cost of the jackets.**

Direct material cost per unit increased (from R180) to R360 / by 100% / by R180 / it doubled. (Note: could mention effect on total Variable Cost).

2

2.2.6

**Calculate the % increase in the selling price of the jackets.**

Workings	Answer
$\frac{1\ 170 - 780}{780} \times \frac{100}{1}$ <p>x 100 is not 'one part correct' for the method mark</p>	<p>50% ✓</p> <p>one part correct must be expressed as percent sign not necessary difference in SP must be numerator</p>

3

2.2.7

**Explain the impact of the increase in the selling price of jackets on the sales and profit. Quote figures or calculations.**

ONE reason ✓✓ part marks for incomplete / unclear / partial answers figures ✓ ✓

- Units produced and sold decreased by 2 719 units / (from 6 350) to 3 631 / by 42,8%.
- The BEP dropped by 1 250 units / from 5 000 to 3 750 / by 25%
- Made loss on 119 units in 2021 and profit on 1 350 units in 2020 / sales dropped from R4 953 000 to R4 248 270 / by R704 730 / by 14,2%

**For candidates who pick up the reversed figures in BEP/Production:**

- OR 1 250 units less / from 5 000 – 3 750 / by 25%
- OR 2 719 units less / from 6 350 – 3 631 / by 42,8%
- OR Made a loss on 1 350 units in 2020 and a profit on 119 units in 2020 / sales increased from R3 900 000 to R4 387 500 / by R487 500 / by 12,5%

4

2.2.8

**Tello wants to increase profits on jackets by an additional R250 000 in the next financial year. Assuming the cost structure remains the same, calculate the total number of additional units he must produce to achieve this target.**

Note: mark this question independently of Q2.2.7

Workings	Answer
$\frac{250\ 000}{470}$ <p>1 170 – 700</p> <p>ALTERNATIVE: For candidates who pick up reversed figures in BEP and production i.e. move from loss to profit; Do not penalise for using / not using a previous loss.</p> <p>OR: 532 + 119</p> <p>OR: Use BEP calculation to calculate the units Accept 4 163 two marks –3 750 one mark (1 706 250 + 250 000) ÷ 470</p>	<p>532 units ✓</p> <p>one part correct</p> <p>OR: 651 units</p> <p>OR: 413 units</p>

4

**TOTAL MARKS**

**50**

### QUESTION 3

#### 3.1 DEBTORS' COLLECTION SCHEDULE FOR MARCH TO MAY 2021

\*one part correct

MONTHS	CREDIT SALES R	MARCH R	APRIL R	MAY R
January	204 750	16 380		
February	250 250	125 125	20 020	
March	364 000	136 864	182 000	29 120 ✓✓
April	409 500		153 972	204 750 ✓✓
May	500 500 ✓✓		Credit sales x 40% x 94%	188 188 ✓✓ if CrS x 0,376
	If not shown, give marks on final answer	278 369	335 992	422 058 ✓ Operation*

9

#### 3.2 AMOUNTS FOR THE CASH BUDGET

\*one part correct

	Workings	Amount
(a)	<b>Cash sales for April</b> $630\,000 \times 35\%$ <small>✓ ✓</small> April credit sales <b>OR:</b> $630\,000 - 409\,500$ <b>OR:</b> $360\,000 \times 175/100 \times 35\%$ <small>one mark one mark ( one mark ) one mark</small> <b>OR:</b> $409\,500 \times 35/65$ <small>one mark one mark</small>	$R220\,500$ Accuracy mark to deal with part-mark inconsistency <b>3</b>
(b)	<b>Increase in loan from Janet Bloom</b> $1\,260 \div 0,09 \times 12$ <small>✓ ✓ ✓</small> OR $1260 \times 100/9 \times 12$ OR $1\,260 \times 12 / 9\%$ <small>two marks one mark</small> Be alert to different method of calculation OR $350\,000 - 182\,000$ <small>(2 625 / 0,09 x 12) - (1 365 / 0,09 x 12)</small>	$R168\,000$ One part correct <b>4</b>
(c)	<b>Salaries for April 2021</b> $22\,400 \times 3/2 \times 1,05$ <small>✓ ✓ ✓</small> If assumed that extra assistant did not get the 5% increase, then answer will be: $22\,400 \times 105\%$ $23\,520 + 11\,200 = 34\,720$ <small>two marks one mark</small> <b>OR:</b> $(11\,200 + 22\,400) \times 1,05$ Be alert to other combinations of figures e.g. R1 120, R23 520, R33 600	$R35\,280$ One part correct Apply rule 4 <b>4</b>
(d)	<b>Rent expense for March 2021</b> $39\,960 \times 100/111$ <b>OR</b> $39\,960 \div 111\%$ <b>OR</b> $39\,960 \div 1,11$ <small>✓ ✓</small> <b>OR</b> $39\,960 - 3\,960$	$36\,000$ ✓* One part correct <b>3</b>

14

#### 3.3 Explain the decisions that the directors took regarding the budgeted and actual expenditure for advertising in May 2021. Quote figures or calculations.

Explanation on budget ✓ Figures ✓ Explanation on actual expenditure ✓ Figures ✓

Expected response for 4 marks:

- Advertising budget increased by R18 000 / (from R12 000) to R30 000 / by 150%.
- Actual expenditure on Advertising exceeded the budget by R12 000 / from R30 000 to R42 000 / by 40%

4

**Provide TWO points that you would include in your report. Quote figures or calculations.**

Expected responses for 4 marks:

- 4

ONE explanation ✓ with figures ✓ ✓

- The average sales were budgeted at R7 000 per customer but this actually dropped to R5 111 per customer (690 000 /135)
- It appears that the increase in advertising has attracted many new customers (25) who do not have the same spending power as the company's traditional customers / sales per customer decreased (they spend R5 111 instead of R7 000 each)
- More customers are repairing dresses rather than buying new ones. Fee income exceeded budget by R6 000 (R21 000 – R15 000) / 40%. Sales of new dresses were R80 000 less than the budget (10,4%).

Customers might be window-shopping / spending less / more buying on credit

3

**Response for no mark:** Comment which shows that consumable stores were overspent without being compared to fee income, with no figures provided.

- Consumable stores were budgeted at 28% ( $R4\ 200 \div R15\ 000$ ) of fee income, while actual amount spent was 26% of actual fee income ( $R5\ 520 \div R21\ 000$ ).
- Consumable stores exceeded the budget by 31,4% / by R1 320 ( $R5\ 520 - R4\ 200$ ) while fee income exceeded the budget by 40% / by R6 000 ( $R21\ 000 - R15\ 000$ )

**Calculate the reduction in the area rented (in square metres).**

4

40

## QUESTION 4

4.1

4.1.1	Weighted average ✓ accept recognisable abbreviations
4.1.2	FIFO ✓
4.1.3	Specific identification ✓
4.1.4	Perpetual system ✓ don't accept PS

4

## 4.2 LOTUS ACCESSORIES

4.2.1

Calculate: Value of closing stock for gas lamps (using FIFO)	
Workings	Answer
$(220 - 40) \quad (270 - 180)$ $(180 \checkmark \checkmark \times R80 \checkmark) + (90 \checkmark \times R75 \checkmark)$ R14 400 three marks      If adds up to 270 R 6 750 two marks	R21 150 <input checked="" type="checkbox"/> * *one part correct Must be 2 batches
Calculate: Stockholding period in days of gas lamps (using closing stock)	
Workings	Answer
Using totals: $\frac{21\ 150 \checkmark \text{ see above} \times 365}{12\ 650 \checkmark + 193\ 500 \checkmark - 3\ 200 \checkmark - 21\ 150 \checkmark \text{ see above}}$ 181 800 (40 x 80)	42,5 days <input checked="" type="checkbox"/> * Must be x by 365 one part correct Accept 42 or 43 days
<b>OR:</b> Using units: $\frac{270 \text{ one mark} \times 365}{2\ 180 \text{ four marks}}$	<b>OR</b> 45,2 days Accept 45 days
<b>OR:</b> $\frac{270}{(230 + 2\ 750 - 40 - 270)} \times 365$ or $\frac{270}{2\ 940 - 270}$ 2 670	<b>OR</b> 36,9 days Accept 37 days
<b>OR:</b> $\frac{270}{(230 + 2\ 770 - 40 - 270)} \times 365$ or $\frac{270}{2\ 960 - 270}$ 2 690 Answer must be reflected in days, but 'days' does not have to be specified	<b>OR</b> 36,6 days Accept 37 days

6

4.2.2 Alex suspects that the stock of gas lamps are not well controlled. Calculate the number of gas lamps missing.

Workings	Answer
One mark in total $230 + 2\ 750 - 40$ $2\ 940 \checkmark - 2\ 180 \checkmark - 270 \checkmark$	One mark in total $230 + 2\ 770 - 40$ $2\ 960 - 2\ 180 - 270$
	490 <input checked="" type="checkbox"/> one part correct <b>OR 510</b>

4

4.2.3

What should Alex say to his brother when dealing with this matter? Provide TWO points. Give TWO valid points ✓✓ ✓✓ part marks for incomplete, unclear or partial answers
<ul style="list-style-type: none"> <li>His actions are unethical / illegal / theft / compromises business profitability</li> <li>Tell him he can face dismissal / disciplinary action</li> <li>He must reimburse Alex for the loss</li> <li>It is a conflict of interest / he is taking advantage of being a family member / enriching himself at the expense of the business and he must stop this practice</li> <li>He should not be expected to be treated differently and he will be subject to the rules and procedures of the business</li> <li>All stock movements must be recorded / declared in advance</li> <li>Output VAT not paid over to SARS (which is a criminal offence)</li> </ul>

4



**4.2.4 Calculate the closing stock value for gas stoves on 30 April 2021 (using the specific identification method).**

Workings		Answer
$59\,400 + 13\,860$ $280 - 132$ $(148\checkmark \times R495\checkmark)$ 73 260 two marks	$42\,000 + 32\,200$ $160 - 54$ $(106\checkmark \times R700\checkmark)$ 74 200 two marks	R147 460 <input checked="" type="checkbox"/> * *one part correct Must be 2 models

5

**4.2.5 Alex thinks he should stop selling gas stoves as they are causing a liquidity problem and the profit is low. Provide figures to support his opinion.**

Any valid opinion ✓ Figure ✓

Possible responses: Be alert to candidates who focus on one model only (different figures)

- Too much cash tied up in stock, R147 460 see 4.2.4
- Total profit on gas stoves is **low** R54 060 (R38 940 + R15 120)
- Low turnover rate / only 186 units **sold**, of 440 **available** / 42,3%.
- Too much stock on hand, 254 units.

2

**Explain TWO points to convince him NOT to discontinue trading in gas stoves.**

Any TWO valid points ✓✓ ✓✓ part marks for incomplete, unclear or partial answers

- He is achieving a 60% profit on B-Lite and a 40% profit on Smart.
- He could reduce the mark-up to increase sales (recognising the state of the economy and his customers).
- These stock items are durable and can be sold in the future.
- The trend is to move towards gas because of load shedding – demand will increase in the future.
- Customers may not be aware that he is selling these products / he must advertise more extensively
- A variety of stock will attract more customers
- Gas is cheaper than electricity

4



**TOTAL MARKS**

**35**

**TOTAL: 150**