



education

Department of
Education
FREE STATE PROVINCE

PREPARATORY EXAMINATION

GRADE 12

ACCOUNTING P2

SEPTEMBER 2023

MARKS: 150

TIME: 2 HOURS

**This question paper consists of 14 pages,
a formula sheet and a 11-page answer book.**



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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. A Financial Indicator Formula Sheet is attached at the end of this question paper.
4. Show ALL workings to earn part-marks.
5. You may use a non-programmable calculator.
6. You may use a dark pencil or blue/black ink to answer questions.
7. Where applicable, show ALL calculations to ONE decimal point.
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	Reconciliations and Age Analysis	40	35
2	Stock Valuation	30	20
3	Cost Accounting (Manufacturing)	45	40
4	Budgeting	35	25
TOTAL		150	120



QUESTION 1: RECONCILIATIONS AND AGE ANALYSIS (40 marks; 35 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 A Bank Reconciliation Statement should be prepared every month to assist in maintaining internal control of the cash of the business.

1.1.2 Credit card sales are regarded as cash transactions.

1.1.3 Debit interest on the bank statement must be recorded in the Cash Payments Journal as bank charges.

(3)

1.2 BANK RECONCILIATION

The information relates to CR Stores for August 2023. The official bank statement from TOPS Bank is closed off and published on the 27th of each month.

REQUIRED:

1.2.1 Use the table provided in the ANSWER BOOK to calculate the final totals of Cash Journals on 31 August 2023. Calculate the Bank Account balance on 31 August 2023. (13)

1.2.2 Prepare a Bank Reconciliation Statement on 31 August 2023. (6)

1.2.3 The levy on credit card sales is 5% of the respective credit card sales amount. Calculate the total credit card sales for the month. (2)

1.2.4 The owner noted the warning on the bank's website that account holders should be more vigilant about using banking applications (software) due to the increase in hacking. (*Process of gaining unauthorised access to confidential information to transfer money.*)


Provide TWO suggestions on how account holders can protect themselves against this crime. (4)

INFORMATION:

A. The Bank Reconciliation Statement on 31 July 2023:

Unfavourable balance per bank statement	R 35 380
Outstanding deposit (29 July 2023)	13 700
Outstanding EFTs: No.1243	2 840
No.1244	4 895
Balance per bank account (overdraft)	29 415

Note: EFT 1243 in favour of a creditor, dated 30 July 2023, appeared on the August bank statement with the correct amount of R2 480.

- B. The provisional totals in the cash journals before comparing them against the August bank statement were:
- CRJ – R365 760
 - CPJ – R319 790
- C.  **Items included in the August 2023 bank statement but not in the August Cash Journals:**
- Outstanding deposit of R13 700 dated 29 July 2023.
 - EFT 1244 for R4 895
 - Direct deposit of R5 780 by a debtor, in settlement of account of R6 000
 - Interest on overdraft R636
 - Service fees R367
 - Credit card levies R1 438
 - Credit card sales, R7 230
 - Debit order for Insurance, R5 909
 - Cash withdrawal using the debit card of the business, R3 150
 - A transfer from Pet Stores of R4 500 appeared in the bank statement, but the bank has informed CR Stores that this is an error as the amount was incorrectly transferred to CR Stores. The bank will reverse this entry on 1 September 2023.
- D. Items that only appeared in the cash journals for August 2023:
- Deposit on 30 August 2023 for R17 900
 - EFT No. 1280 for R11 540
- E. The closing balance on the bank statement was R?



1.3 GRASSY TRADERS

You are provided with information concerning internal control over the debtors of Grassy Traders. Study the given account of Thandi Moi in the Debtors' Ledger of Grassy Traders:

REQUIRED:

1.3.1 To maintain internal control over the debtors, it is important that the accountant checks at the end of the month that the balance of the Debtors' control account and the total of the Debtors' List are equal.

- Explain why the Debtors' control account balance should agree with the Debtors' List total. (2)
- Explain TWO processes the bookkeeper should follow if he discovers a difference between the Debtor's control account balance and the Debtors' List total. (4)

1.3.2 Identify THREE internal control problems relating to the management of the account of debtor Thandi Moi. Quote figures for each problem. (6)

Grassy Traders						
Statement no: 2850			Statement date: 28 February 2023			
To: Thandi Moi			Credit limit: R60 000			
Date		Transactions	Debit	Credit	Balance	
2022 Nov	1	Balance			15 700	
	5	EFT		14 130	1 570	
		Discount		1 570	NIL	
	10	Invoice 473	16 680		16 680	
Dec	2	Invoice 491	12 560		29 240	
	3	Credit note 52		1 230	28 010	
2023 Jan	4	Invoice 526	9 780		37 790	
	31	Delivery charges	118		37 908	
Feb	19	Invoice 576	15 620		53 528	
	28	Delivery charges	152		53 680	
Terms: <ul style="list-style-type: none">• 5% discount if paid within 30 days of the statement date.• Debt must be fully paid within 60 days of the statement date• Interest is charged at 2% per month on balances 90 days overdue.						
Age analysis:		90 Days	60 Days	30 Days	Current	Amount owing
		16 680	11 330	9 898	15 772	53 680

QUESTION 2: INVENTORY VALUATION

(30 marks; 20 minutes)

- 2.1 Choose the correct word(s) from those given in brackets. Write only the word(s) next to the question numbers (2.1.1 to 2.1.3) in the ANSWER BOOK.

2.1.1 The cost of sales must be recorded immediately with every sales transaction according to the (perpetual/periodic) inventory system.

2.1.2 The (specific identification/weighted-average) stock valuation method is best suited for smaller items purchased in relatively large quantities where prices are fairly constant for items purchased.

2.1.3 Stock valued according to the (first-in-first-out/weighted average) method would normally be applied to items of stock which are related to constant technological innovations. (3)

2.2 EDEN POTS & PEBBLES

Eden Pots & Pebbles is a local business that sells garden pots and pebbles, which is situated in Clarens, a fast-growing tourist-attracting town situated in the heart of the Free State. This small business is owned by Eden. The financial year ends on 31 May each year.

To promote sales, Eden attends many market exhibitions to broaden the client base.

GARDEN POTS (Weighted average method):

2.2.1 Calculate the weighted-average cost per garden pot. (6)

2.2.2 Calculate the Rand value of the garden pots lost at market exhibitions during the year ended 31 May 2023. (5)

2.2.3 Advise Eden on preventing future losses of missing/stolen garden pots whilst attending market exhibitions. Provide TWO points. (4)

PEBBLES (FIFO method):


2.2.4 Calculate the following for pebbles on 31 May 2023:

- Value of the stock on hand on 31 May 2023. (5)
- Stockholding period in days (using closing stock). (5)

2.2.5 Comment on whether Eden should be satisfied with the stock-holding period. Quote figures.
Note that the stock-holding period on 31 May 2022 was 96 days. (2)

INFORMATION:

The following relates to the financial year ended 31 May 2023:

 Details & dates	GARDEN POTS			PEBBLES			
	Weighted average method			FIFO method			
	Pots	Cost per pot (R)	Total (R)	Kilograms (kg)	Cost per kg (R)	Total (R)	
	Opening stock (1 June 2022)	60	225	13 500	2 900	67	194 300
	Purchases	260		53 750	8 550		616 050
	September 2022	70	210	14 700	2 450	70	171 500
	November 2022	110	195	21 450	4 250	75	318 750
	March 2023	80	220	17 600	1 850	68	125 800
	Total stock	320		67 250	11 450		810 350
	Closing stock (31 May 2023)	42			2 340		
Returns	5 pots from the November purchase.			100 kg from the March purchases amounted to R6 100.			
Carriage on purchases	Total cost for the year amounted to R2 395.			R7 per kilogram included.			
	Carriage is not refunded on returns.						
Sales	UNITS	Amount		UNITS		Amount	
	265	R91 160		9 010		R1 171 300	



QUESTION 3: COST ACCOUNTING

(45 marks; 40 minutes)

3.1 WALLY WATCHES

Wally Watches, a local manufacturing company, produces affordable branded watches. They use a standard markup of 150% on the cost price. The financial year ends on 28/29 February each year.

REQUIRED:

- 3.1.1 Calculate the value of raw materials issued to the factory for production. (8)
- 3.1.2 Calculate the depreciation on factory equipment. (6)
- 3.1.3 Prepare the Factory Overhead Cost Note for the year ended 28 February 2023. (14)
- 3.1.4 Determine the total sales for the year ended 28 February 2023. (5)

INFORMATION

A. Balances extracted from the financial records of the business:

	28 February 2023	1 March 2022
	R	R
Raw materials stock	672 020	513 500
Work-in-process stock	628 900	546 700
Finished goods stock	201 300	229 800
Factory equipment	1 179 000	964 000
Accumulated depreciation on factory equipment	?	454 720

B. Direct material:

- Raw materials to the value of R2 100 000 were purchased during the year. 7,5% of the purchases were returned to suppliers as they were not to specification.
- Carriage on the purchases of raw materials amounted to R94 500.
- Additional R240 000 worth of raw materials were purchased from Destiny Traders in the USA. A 5% trade discount was received from Destiny Traders. Import duties are charged at 2% of the final invoice total.

C. Depreciation of factory equipment:

- Depreciation on the factory equipment is calculated at 20% p.a. on the diminished-balance method.
- The old equipment that was originally purchased for R124 000 was sold at its book value on 31 July 2022. On 1 March 2022, it had accumulated depreciation of R34 720. No entries have been made in this regard.
- New equipment was purchased for R215 000 cash on 1 September 2022. It was recorded.
- Depreciation on the remaining old equipment on 28 February 2023 was calculated correctly, R84 000.



D. Factory overhead cost:

Extract of expense accounts:

	R
Rent expense	227 500
Indirect materials	170 800
Indirect labour	74 742
Sundry expenses	83 100
Insurance: Administration	28 560
Water & electricity	?

- 85% of all indirect materials are used in the production process.
- The rent for March 2023 was paid in advance. Rent is a fixed monthly amount and has remained unchanged during the year. Rent is allocated according to the floor space: factory 900 m², administration 150 m², sales & distribution 150 m².
- 80% of the total Sundry Expenses account is allocated to the production process. The telephone account for February 2023 has been received and has not yet been paid, R6 300. Telephone is considered a Sundry Expenses.
- The bookkeeper divided the total insurance amount equally amongst the factory, administration and sales & distribution departments, but only posted to the administration cost account. The correct distribution should be 3 : 1 : 1.
- Information relevant to calculate factory water and electricity for the year:

	Annual usage		Monthly fees
	Units of water & electricity used	Cost per unit	Account service & sundry fees
Workstation A	16 250	R0.80	R450
Workstation B	20 900	R0.90	R0
Total	37 150		

E. The total cost of production for the year amounted to R3 313 086.

3.2 JOZY PENS

The business manufactures one type of pen and is owned by Jozy Malinga. The financial year ended on 28 February 2023. Production is based on orders received. Therefore, there are no work-in-process balances.

REQUIRED:

3.2.1 Calculate the break-even point for the year ended 28 February 2023. (3)

3.2.2 Explain whether the level of production achieved is satisfactory or not. Quote figures to support your opinion. (4)

3.2.3 Jozy is generally satisfied with the management of variable costs but is not pleased with the control over direct labour costs. (3)

- Justify his concern by quoting figures.
- Provide TWO suggestions he can implement to address this problem.

3.2.4 Jozy is considering using computerised machinery as an alternative to manual labour. It may result in some workers losing their jobs.

Explain TWO points that he should consider before taking this step. (2)

INFORMATION:

EXTRACTED FROM THE RECORDS OF JOZY PENS:

	28 FEBRUARY 2023		28 FEBRUARY 2022	
	TOTAL (R)	UNIT COST (R)	TOTAL (R)	UNIT COST (R)
Fixed costs	2 442 375	58,50	2 346 000	55,20
Variable costs:	1 507 175	36,10	1 576 750	37,10
Direct material cost	705 575	16,90	539 750	22,70
Direct labour cost	613 725	14,70	416 500	9,80
Selling and distribution cost	187 875	4,50	199 500	4,60
Selling price per unit	R104,10		R95,70	
Contribution per unit	R68		R58,60	
Number of units produced and sold	41 750 units		42 500 units	
Break-even point (units)	?		40 035 units	

QUESTION 4: BUDGETING

(35 marks; 25 minutes)

You are provided with information relating to Super Smashers Panel Beaters for the budget period 1 August 2023 to 30 September 2023. The business is owned by Sparky Brite. The financial year ends on 30 September each year.

- The business operates on a strict cash basis.
- Nature of business:
 - Repairs damages on the body of vehicles to earn service fee income.
 - Sale of spare parts used in repairs as well as to over-the-counter customers.
- Other consumables used during repair services are recorded as Service Fee Expenses. These costs are charged thereafter to clients' accounts.

REQUIRED:

- 4.1 State ONE difference between a Projected Statement of Comprehensive Income (Income Statement) and a Cash Budget. (2)
- 4.2 Provide TWO possible reasons why Sparky does not allow credit to customers and indicate whether this is a good decision or not. (4)
- 4.3 Calculate the following:
 - 4.3.1 The markup percentage maintained for the sale of spare parts. (2)
 - 4.3.2 The percentage decrease in service fee income expected in September 2023. (3)
 - 4.3.3 The additional space (in square metres) which the business plans to rent from September 2023. (3)
 - 4.3.4 The interest rate on the fixed deposit. Note that the interest rate is expected to remain constant over the budget period. (4)
- 4.4 Recent trends show that the stock of spare parts is not well controlled. Comment on the control of stock and explain how Sparky intends to correct this. Quote specific items and figures from the Projected Statement of Comprehensive Income provided. (4)
- 4.5 Sparky offered customers free delivery of spare parts but discontinued this service on 31 July 2023. State TWO points to support this decision. (2)
- 4.6 **Refer to information D.** Budgeted and actual figures for certain items for July 2023 are provided. Quote figures in your explanation in EACH case.
 - 4.6.1 Comment on the control over:
 - Service fee expenses (4)
 - Water and electricity (3)
 - 4.6.2 Sparky's decided not to use the full budget for advertising. Explain whether this was beneficial to the business or not. (4)

INFORMATION:

- A. Extract from the Projected Statement of Comprehensive Income (Income Statement) for the period 1 August 2023 to 30 September 2023:**

	AUGUST R	SEPTEMBER R
Service fee income from customers	224 000	203 840
Profit on sale of spare parts	34 350	50 625
Sales	80 150	118 125
Cost of sales	(45 800)	(67 500)
Other operating income		
Profit on disposal of the delivery vehicle	12 000	0
Gross operating income		
Operating expenses		
Rent expense (see note B)	9 000	13 800
Water and electricity	7 800	7 800
Motor vehicle expenses	11 250	2 250
Security expenses	7 500	13 800
Advertising	7 050	7 050
Consumable stores (Used for repair service)	45 000	45 000
Repairs and maintenance of equipment	22 500	0
Depreciation	6 750	15 750
Trading stock deficit	21 000	2 100
Operating profit		
Interest on fixed deposit (see note C)	8 550	4 050
Net profit		



B. Rent expense is calculated on a fixed amount per square metre. The business currently rents 75 square metres. On 1 September 2023, additional floor space will be rented at the same rate due to expansion.

C. A fixed deposit of R675 000 will mature on 31 August 2023.

D. Budgeted and actual figures for July 2023:

	BUDGETED	ACTUAL
	R	R
Service fee income	225 000	191 250
Service fee expenses	45 000	54 675
* Water and electricity	6 750	7 500
Advertising	7 050	2 700
Sale of spare parts	193 050	145 800
Cost of sales	117 000	81 000
Profit on sale of spare parts	76 050	64 800
Mark-up percentage (on cost)	65%	80%

***NOTE:** The water and electricity tariff unexpectedly increased by 15% from 1 July August 2023.

35

TOTAL: 150

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)
$\frac{\text{Net income before tax + Interest on loans}}{\text{Average shareholders' equity + Average non-current liabilities}} \times \frac{100}{1}$	
$\frac{\text{Shareholders' equity}}{\text{Number of issued shares}} \times \frac{100}{1}$	$\frac{\text{Dividends for the year}}{\text{Number of issued shares}} \times \frac{100}{1}$
$\frac{\text{Interim dividends}}{\text{Number of issued shares}} \times \frac{100}{1}$	$\frac{\text{Final dividends}}{\text{Number of issued shares}} \times \frac{100}{1}$
$\frac{\text{Dividends per share}}{\text{Earnings per share}} \times \frac{100}{1}$	$\frac{\text{Dividends for the year}}{\text{Net income after tax}} \times \frac{100}{1}$
$\frac{\text{Total fixed costs}}{\text{Selling price per unit – Variable costs per unit}}$	



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PREPARATORY EXAMINATION

GRADE 12

ACCOUNTING P2

SEPTEMBER 2023

SPECIAL ANSWER BOOK

QUESTION	MARKS	INITIAL	MODERATOR
1			
2			
3			
4			
TOTAL			

This answer book consists of 11 pages.

QUESTION 1

1.1

Indicate whether the 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	
1.1.2	
1.1.3	

3

1.2.1

Calculate the correct totals of the Cash Journals in order to determine the Bank account in the ledger on 31 August 2023.

CASH RECEIPTS JOURNAL	CASH PAYMENT JOURNAL
365 760	319 790

Bank balance:

13

1.2.2

Prepare the Bank Reconciliation Statement on 31 August 2023.

	Debit	Credit

6

1.2.3

The levy on credit card sales is 5% of the respective credit card sales amount. Calculate the total credit card sales for the month.

2

- 1.2.4 Provide TWO suggestions on how account holders can protect themselves against this crime of hacking.**



4

1.3 DEBTORS AGE ANALYSIS AND INTERNAL CONTROL

- 1.3.1 Explain why the Debtors' control account balance should agree with the Debtors' List total.**

2

Explain TWO processes the bookkeeper should follow if he discovers a difference between the Debtors' control account balance and the Debtors' List total.

4

- 1.3.2 Identify THREE internal control problems relating to the management of the account of debtor Thandi Moi. Quote figures for each problem.**

6

TOTAL MARKS

40



QUESTION 2

2.1

Choose the correct word(s) from those given in brackets. Write only the word(s) next to the question numbers (2.1.1 to 2.1.3) in the ANSWER BOOK.

2.1.1	
2.1.2	
2.1.3	

3

2.2

EDEN POTS & PEBBLES

GARDEN POTS (Weighted average method):

2.2.1

Calculate the weighted-average cost per garden pot.

6

2.2.2

Calculate the Rand value of the garden pots lost at market exhibitions during the year ended 31 May 2023.

5

2.2.3

Advise Eden on preventing future losses of missing/stolen garden pots whilst attending market exhibitions. Provide TWO points.



4

PEBBLES (FIFO method):

2.2.4

Calculate the value of the stock on hand on 31 May 2023.



5

Calculate the stockholding period in days (using closing stock).

5

2.2.5

**Comment on whether Eden should be satisfied with the stockholding period. Quote figures.
Note that the stockholding period on 31 May 2022 was 96 days.**

2

TOTAL MARKS
30



QUESTION 3

- 3.1.1 Calculate the value of raw materials issued to the factory for production.



8

- 3.1.2 Calculate the depreciation on factory equipment:

WORKINGS	ANSWER

6

- 3.1.3 Prepare the Factory Overhead Cost Note for the year ended 28 February 2023.

Indirect Labour	74 742

14

- 3.1.4 Determine the total sales for the year ended 28 February 2023.

5

3.2 JOZY PENS

3.2.1 Calculate the break-even point for the year ended 28 February 2023.



3

3.2.2 Explain whether the level of production achieved is satisfactory or not. Quote figures to support your opinion.

4

3.2.3 Jozy is generally satisfied with the management of variable costs but is not pleased with the control over direct labour costs.

Justify his concern by quoting figures.

Provide TWO suggestions he can implement to address this problem.



3

3.2.4

Jozy is considering using computerised machinery as an alternative to manual labour. It may result in some workers losing their jobs.

Explain TWO points that he should consider before taking this step.



2

TOTAL MARKS
45



QUESTION 4: BUDGETING

4.1

State ONE difference between a Projected Statement of Comprehensive Income (Income Statement) and a Cash Budget.



2

4.2

Provide TWO possible reasons why Sparky does not allow credit to customers and indicate whether this is a good decision or not.

4

4.3.1

Calculate the markup percentage maintained for the sale of spare parts.

2

4.3.2

Calculate the percentage decrease in service fee income expected in September 2023.

2

4.3.3

Calculate the additional space (in square metres) that the business plan to rent from September 2023.

3



4.3.4

Calculate the interest rate on the fixed deposit. Note that the interest rate is expected to remain constant over the budget period.



4

4.4

Comment on the control of stock and explain how Sparky intends to correct this. Quote specific items and figures from the Projected Statement of Comprehensive Income period.

4

4.5

Sparky offered customers free delivery of spare parts but discontinued this service on 31 July 2023.

State TWO points to support this decision.

2



4.6.1 **Comment on the control over:**

Service fee expenses



Water and electricity

4

4

4.6.2 **Sparky's decided not to use the full budget for advertising.
Explain whether this was beneficial to the business or not.**

4

TOTAL MARKS
35

TOTAL: 150





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PREPARATORY EXAMINATION

GRADE 12

ACCOUNTING P2

SEPTEMBER 2023

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. Unless otherwise stated, give full marks for correct answer. If answer is incorrect, mark workings.
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. If candidates provide more than the required number of responses, inspect all responses to give benefit to the candidate. Penalties may be applied for foreign entries if candidates earn full marks on a question (max -2 per Q).
8. This memorandum is not for public distribution; as certain items might imply incorrect treatment. The adjustments made are due to nuances in certain questions.
9. Where penalties are applied, the marks for that section of the question cannot be a final negative.
10. Where method marks are awarded for operation, marker must inspect reasonableness of answer.
11. Operation means 'check operation'. 'One part correct' means operation and one part correct. Note: check operation must be +, -, x, ÷, or per memo.
12. In calculations, do not award marks for workings if numerator & denominator are swapped – this also applies to ratios.
13. 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 ☒.
14. Be aware of candidates who provide valid alternatives beyond the marking guideline. Note that one comment could contain different aspects.
15. Codes: f = foreign item; p = placement/presentation.

These marking guidelines consist of 11 pages.

QUESTION 1

1.1

1.1.1	True	✓
1.1.2	True	✓
1.1.3	False	✓

3

1.2.1

Calculate the correct totals of the Cash Journals in order to determine the Bank account in the ledger on 31 August 2023.

CASH RECEIPTS JOURNAL		CASH PAYMENT JOURNAL
365 760		319 790
360* ✓✓	#Award two marks for 2 840 in CRJ & 2 480 in CPJ together (no part marks)	636 ✓
5 780 ✓		(367 + 1 438) one mark
7 230 ✓		5 909 ✓
		3 150 ✓
379 130 Must include 365 760	✓ for both totals; one part correct.	331 290 Must include 319 790

Bank balance:

– 29 415 ✓ + 379 130 ✓ – 331 290 ✓ = 18 425 ✓ one part correct

Be alert to alternative arrangement for calculations such as Ledger format

13

1.2.2

Prepare the Bank Reconciliation Statement on 31 August 2023.

	Debit	Credit
Balance as per bank statement		*16 565 ✓
Outstanding deposit		17 900 ✓
Correction of error by bank	4 500 ✓	
Outstanding EFT (1465)	11 540 ✓	
Balance as per bank account see 1.2.1	18 425 ✓	
-1 for poor presentation / no details	34 465	34 465
* balancing figure; can be Dr	✓ both must be the same	

6

1.2.3

The levy on credit card sales is 5% of the respective credit card sales amount. Calculate the total credit card sales for the month.

$$1\,438 \times \frac{100}{5} = R28\,760 \quad \checkmark \checkmark \quad \text{one part correct}$$

2

1.2.4

Provide TWO suggestions on how account holders can protect themselves against this crime of hacking.

TWO valid, different Advice ✓✓ ✓✓ part marks for incomplete/unclear responses

- Keep track of movements in bank accounts./Notifications on the banking app.
- Do not give out pin codes, passwords, bank account details, etc.
- Do not react to suspicious phone calls, messages, or emails, as these could be used to gain unauthorised access to the private details of account holders.
- Always try to handle bank cards by yourself to avoid cloning of cards.

4

1.3 DEBTORS AGE ANALYSIS

1.3.1

Explain why the Debtors' control account balance should agree with the Debtors' List total.

Any acceptable point ✓✓ part marks for incomplete/unclear responses

- Debtors' control account is a summary of all transactions concerning all transactions with debtors (from journals totals), and the debtors' list is a summary (total) of the same transactions allocated to the separate/individual debtors accounts (posted from the same journals).
- It is the same information presented in different ledgers (general and subsidiary)
- Prepared from the same set of source documents.

2

Explain TWO processes the bookkeeper should follow if he discovers a difference between the Debtors' control account balance and the Debtors' List total.

Any TWO acceptable points ✓✓ ✓✓ part marks for incomplete/unclear responses

- Control with the original source documents.
- Check postings from journals to the ledgers.
- Check the entries in the journals.
- Check the correctness of casting/totalling of journals.

4

1.3.2

Identify THREE internal control problems concerning the debtor Thandi Moi. Quote figures for each problem.

Any THREE problems ✓✓ ✓✓ figures ✓✓ ✓✓

- Not sticking to terms. 60 days (R11 330) and 90 days (R16 680), debts older than 60 days are not paid.
- No (nil) interest charged on balances 90 days overdue.
- Discount allowed was calculated at 10%, must be at 5%.
- Thandi's account should have been blocked/frozen from any purchases (Inv. 576 for R15 620) until the payment amount is in arrears over 90 days.

6

TOTAL MARKS

40

QUESTION 2

2.1

2.1.1	Perpetual	✓
2.1.2	Weighted-Average (WA)	✓
2.1.3	First-In-First-Out (FIFO)	✓

3

2.2 EDEN POTS & PEBBLES

GARDEN POTS (Weighted average method):

2.2.1 Calculate the weighted average cost per garden pot.

$$\begin{array}{r} 13\,500 + 53\,750 \text{ both } 5 \times 195 \\ 67\,250 \checkmark - 975 \checkmark + 2\,395 \checkmark \\ \hline 320 \checkmark - 5 \checkmark \\ 60 + 260 \text{ both } \checkmark - 5 \checkmark \end{array}$$

$$\frac{68\,670}{315} = R218 \quad \checkmark \quad \text{operation one part correct}$$

6

2.2.2 Calculate the Rand value of the garden pots lost at market exhibitions during the year ended 31 May 2023.

$$\begin{array}{r} 60 + 260 - 5 \\ \checkmark \quad \checkmark \quad \checkmark \quad 3 \text{ marks} \\ 315 - 265 - 42 = 8 \times 218 \checkmark = R1\,744 \checkmark \quad \text{operation one part correct} \\ \text{see 2.2.1} \quad \text{see 2.2.1} \end{array}$$

5

2.2.3 Advise Eden on preventing future losses of missing/stolen garden pots whilst attending market exhibitions. Provide TWO points.

Any TWO separate points of advice ✓✓ ✓✓ part marks for incomplete/unclear answers

- Put only one pot of each range on display and lock the rest of the stock properly.
- Do not display too much stock, rather have customers order from the catalogue/use samples.
- Upgrade physical security at exhibitions by negotiating proper lock-up storage and security guards with organisers.
- If possible, chain pots together to make it difficult to steal garden pots.

Accept install cameras one mark

4

PEBBLES (FIFO method):

2.2.4

Calculate the value of the stock on hand on 31 May 2023.



(1 850 – 100)

1 750 ✓ x 68 ✓ = 119 000

590 ✓ x 75 ✓ = 44 250

163 250 ✓

operation one part correct

5

Calculate the stockholding period in days (using closing stock).

163 250 ✓ see 2.2.4 above

810 350 ✓ – 6 100 ✓ – 163 250 ✓ x 365 = 93 days/accept 92,9 days ✓

194 300 + 616 050

641 000 three marks

operation one part correct; must x 365

OR using units:

2 340 / 9 010 x 365 = 94,8 days must x 365

2 marks 2 marks

5

2.2.5

Comment on whether Eden should be satisfied with the stockholding period. Quote figures.

Note that the stockholding period on 31 May 2022 was 96 days.

According to 2.2.4 any acceptable reason ✓✓ (based on the answer above, see 2.2.4 SHP calculation)

Yes, pebbles are not perishable and can last for a very long time.
Given that their focus is on tourists visiting Clarens over weekends which is very unpredictable for stock budgets.
Appeals to a select set of clients – demand may be constant.

OR

No, stock takes up extra storage space.
Carrying stock to the value of R163 250 can put pressure on cash flow.

2

TOTAL MARKS


30



QUESTION 3

3.1.1

Calculate the value of raw materials issued to the factory for production.



$$513\,500 \checkmark + 2\,100\,000 \checkmark - 157\,500 \checkmark + 94\,500 \checkmark + 232\,560 \checkmark \checkmark - 672\,020 \checkmark$$

$$= 2\,111\,040 \checkmark$$

1 942 500 two marks
 2 037 000 three marks
 operation one part correct

513 500	157 500
2 100 000	672 020
94 500	
232 560	2 111 040

8

3.1.2

Calculate the depreciation on factory equipment:

WORKINGS	ANSWER
$124\,000 - 34\,720$ AD: $89\,280 \times 20\% \times 5/12 = 7\,440 \checkmark \checkmark$ New: $215\,000 \times 20\% \times 6/12 = 21\,500 \checkmark \checkmark$ Old: $= 84\,000 \checkmark$	$112\,940 \checkmark$ operation one part correct

6

3.1.3

Prepare the Factory Overhead Cost Note for the year ended 28 February 2023.

Indirect Labour	74 742
Indirect materials ($170\,800 \times 85\%$)	145 180 $\checkmark \checkmark$ *
Rent ($227\,500 - 17\,500 \times 900/1\,200$)	157 500 $\checkmark \checkmark$ *
Sundry expenses ($83\,100 + 6\,300 \times 80\%$)	71 520 $\checkmark \checkmark$ *
Insurance ($28\,560 \times 3 \times 3/5$) 85 680	51 408 $\checkmark \checkmark$ *
Water & electricity ($13\,000 + 18\,810 + 5\,400$) 31 810 two marks	37 210 \checkmark *
Depreciation on factory equipment see 3.1.2	112 940 \checkmark
\checkmark * one part correct; must include 74 742	650 500 \checkmark *

14

3.1.4

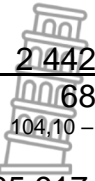
Determine the total sales for the year ended 28 February 2023.

$229\,800 \checkmark + 3\,313\,086 \checkmark - 201\,300 \checkmark = 3\,341\,586$ three marks
 $3\,341\,586 \times 250/100 \checkmark = 8\,353\,965 \checkmark$ one part correct

5

3.2 JOZY PENS

3.2.1 Calculate the break-even point for the year ended 28 February 2023.



$$\begin{array}{r} 2\,442\,375 \checkmark \\ \hline 68 \checkmark \\ \hline 104,10 - 36,10 \end{array}$$

= 35 917,3 OR 35 918 units ☒ one part correct must be units not R

3

3.2.2 Explain whether the level of production achieved is satisfactory or not. Quote figures to support your opinion.

Explanation ✓✓ Figures ✓✓ based on 3.2.1

Compulsory (must mention production and BEP)

The business produces 41 750 units, and the BEP is 35 918/
Produce 5 832 more than the BEP/making a profit on 5 832 units

TWO-mark options (If only production or only BEP is mentioned)

Produce last year 42 500 and this year 41 750/750 less than last year
BEP decreased from 40 034 to 35 918/by 4 116 units.

4

3.2.3 Jozy is generally satisfied with the management of variable costs but is not pleased with the control over direct labour costs.

Justify his concern by quoting figures.

Comparative figure ✓

Direct labour cost increased from R9,80 to R14,70/by R4,90/50%.

Provide TWO suggestions he can implement to address the problem.

Any TWO suggestions: ✓ ✓

Possible answers:

- Train workers to work effectively
- Restrict overtime
- Better supervision by the foreman
- Pay workers per finished unit (piecework)

3



3.2.4

Jozy is considering using computerised machinery as an alternative to manual labour. This may result in some workers losing their jobs.

Explain TWO points that he should consider before taking this step.

Any TWO suggestions: ✓ ✓

- Triple bottom line (They should not only consider their profit)/ Retrenching workers will add to poverty/Increased crime/ unemployment within the community.
- Maintenance and installation of computerised machinery are costly and specialised./Need to train workers to operate machinery.
- Computerised machinery will need constant power and the current load-shedding situation will bring production to a stand.
- Computerised machinery will need substantial initial capital investment, which can lead to cash flow pressure.

2

TOTAL MARKS

45



QUESTION 4: BUDGETING

4.1

State ONE difference between a Projected Statement of Comprehensive Income (Income Statement) and a Cash Budget.

- The Projected Income Statement focuses on predicting net profit or loss./Focus on income/expenses
- The Cash Budget focuses on the expected balance in the Bank account./Focus on receipts/payments

2

4.2

Provide TWO possible reasons why Sparky does not allow credit to customers and indicate whether this is a good decision or not.

Any TWO acceptable points ✓✓✓✓

- The main source of income is Service Fee Income which cannot easily be retrieved if the debtor does not pay regularly.
- Sparky must pay cash for consumables and bodywork parts needed, therefore cannot finance credit to customers.
- Extra administration
- Possibility of bad debts

4

4.3.1

Calculate the markup percentage maintained for the sale of spare parts.

OR
$$34\,350 / 45\,800 \times 100 = 75\% \checkmark \checkmark \text{ one part correct}$$

$$50\,625 / 67\,500 \times 100 = 75\%$$

2

4.3.2

Calculate the percentage decrease in service fee income expected in September 2023.

(224 000 – 203 840) one mark

$$20\,160 / 224\,000 \times 100 = 9\% \checkmark \checkmark \text{ one part correct; must x 100}$$

2

4.3.3

The additional space (in square metres) that the business plans to rent from September 2023.

$$9\,000 / 75 = R120 \checkmark$$

$$13\,800 / R120 = 115 \text{ m}^2 \checkmark$$

Additional space = $115 - 75 = 40 \text{ m}^2 \checkmark \text{ one part correct}$

OR

4 800 one mark

$$(13\,800 - 9\,000) / 120 = 40 \text{ m}^2 \text{ one method mark}$$

120 one mark

3

4.3.4

Calculate the interest rate on the fixed deposit. Note that the interest rate is expected to remain constant over the budget period.

$$\frac{8\,550 - 4\,050}{\frac{4\,500 \checkmark \times 12 \checkmark}{675\,000 \checkmark}} \times 100 = 8\% \checkmark \text{ one part correct}$$

4

4.4

Comment on the control of stock and explain how Sparky intends to correct this. Quote specific items and figures from the Projected Statement of Comprehensive Income period.

Each item ✓ ✓ Figures ✓ ✓

Trading stock deficit reduced by R18 900/from R21 000 to R2 100/by 90%

Increase in security expenses by R6 300/from R7 500 to R13 800/by 84%.

4

4.5

Sparky offered customers free delivery of spare parts but discontinued this service on 31 July 2023.

State TWO points to support this decision.

Any TWO relevant points: ✓✓

- Customers will be forced to have the spare parts fitted as part of the service offered by the business.
- The business will be saving on the running cost of the delivery vehicle.
- The main line of business is the repairing of vehicles – the sale of spare parts supports this.
- The profit on the sale of spare parts is considerably lower than the fee income for the repair service.

2



4.6.1

**Comment on the control over:
Service fee expenses**

Comparison of fee income and Service fee Expenses ✓✓ Figures ✓✓

Service fee income was less than budgeted by R33 750 (15%) whilst Service fee expenses were more than the budget by R9 675 (21,5%).

Conclusion:

Conclusion ✓✓

Part marks for unclear/incomplete answer

A decrease in actual Service fee income should also see a decrease in Service fee expenses used since fewer repair services are provided hence fewer consumables are needed. This indicates a lack of control.

Only one mark for: This indicates a lack of control.

4

Water and electricity

Comment on control ✓✓

comparative Figures ✓✓

This expense has been well-controlled. If the budgeted amount of R6 750 considered the increase, it would have been R7 762,50. Only R7 500 was spent (R262,50 less than the adjusted budgeted amount.)

OR

The budgeted amount (R6 750) has not taken into account the tariff increases of 15% affected on 1 July 2023, which would have led to an adjusted budgeted amount of R7 762,50. (Only 11,11% not 15%)

One mark for: good/well controlled

4

4.6.2

**Sparky's decided not to use the full budget for Advertising.
Explain whether this was beneficial to the business or not.**

Comment on decision ✓✓

Figures ✓✓

Part-mark for unclear/incomplete answer

Comparison figures necessary

The advertising actual amount spent is R4 350 (62%) less than the budget./

The amount spent (R2 700) is lower than the budgeted amount (R7 050).

This had a negative effect on Service fee income, R33 750 less than budgeted, and sales of bodywork parts R47 250 less than budgeted. Also given the markup on cost was adjusted from the budgeted 65% to 80%, he should have spent more on advertising.

4

TOTAL MARKS

35

TOTAL: 150