



PAPER TWO TOPICS

SOLUTIONS

ACCOUNTING GRADE 12

ENGLISH



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MANAGEMENT OF TANGIBLE ASSETS

ACTIVITY 1

NSC NOV 2018

TANGIBLE ASSETS

5.3 MINDEW LIMITED

5.3.1	WORKINGS	ANSWER	
(i)	(1)	610 000 ✓	
(ii)	$13\ 000 - 1$ OR $13\ 000 - 3$ Carrying value $108\ 000 \times 33\ 1/3\% = 36\ 000$ (too much)	12 999/12 997 ✓	
(iii)	$108\ 000 \times 33\ 1/3\% = 36\ 000$ (too much) (2) New: $172\ 500 \times 10\% \times 4/12 = 5\ 750$ ✓ <input checked="" type="checkbox"/> Old: $1\ 250\ 000 \times 10\% = 125\ 000$ ✓ (5) one part correct	130 750 <input checked="" type="checkbox"/> one part correct	
(iv)	$176\ 000 - (128\ 000 + 5\ 600)$ $(48\ 000 \times 20\% \times 7/12)$ $133\ 600$ (5) one part correct	42 400 <input checked="" type="checkbox"/> one part correct	
(v)	$800\ 000 + 256\ 000 - 133\ 600$ see above (4) $(128\ 000 + 5\ 600)$ both	922 400 <input checked="" type="checkbox"/> one part correct	17

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

Any ONE point ✓✓

- Physical inspection (regular and random)
- Asset register

2

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

ONE valid point ✓✓

- GAAP expects us to use the historical cost principle when recording assets.
- Financial statements must not be overstated to create a false impression on profitability
- There could be tax implications.

2

21 MARKS

ACTIVITY 2

NSC NOV 2017

FIXED ASSETS

21 Marks

3.1

- (a) Calculate the carrying value of Land and Buildings on 1 March 2016.

$$2\,550\,000 - 325\,000 = 2\,225\,000 \checkmark\checkmark \text{ no part marks}$$

2

- (b) Calculate the total depreciation on vehicles on 28 February 2017.

Allocate the marks to correct workings even if subtotals not shown.

New:

$$422\,550 \times 20/100 \times 6/12 = 42\,255 \checkmark\checkmark$$

Old:

one mark

$$350\,000 \times 20/100 = 70\,000 \text{ but can only write off R}34\,999 \checkmark\checkmark\checkmark$$

$$(350\,000 - 315\,000) = 35\,000 - 1 = 34\,999$$

$$42\,255 + 34\,999 = 77\,254 \checkmark \text{ one part correct}$$

6

- (c) Calculate the carrying value of Vehicles on 28 February 2017.

Note: Apply Marking Principle 10

Mark one line only – choose line to benefit candidate

$$35\,000 \checkmark + 422\,550 \checkmark - 77\,254 \checkmark = 380\,296 \checkmark$$

see (b) above one part correct

OR

$$772\,550 - (315\,000 + 77\,254 \text{ see (b) above}) = 380\,296$$

one mark one mark one method mark one method mark
392 254 two marks

4

- (d) Calculate the carrying value of Equipment sold on 31 December 2016.

Note: Apply Marking Principle 10

Mark one line only – choose line to benefit candidate

$$120\,000 \checkmark - (12\,000 \checkmark + 10\,800 \checkmark + 8\,100 \checkmark\checkmark) = 89\,100 \checkmark \text{ one part correct}$$

30 900 four marks 18 900 three marks
22 800 two marks
108 000 two marks

OR

$$120\,000 - 12\,000 - 10\,800 - 8\,100 = 89\,100$$

one mark one mark one mark two marks one method mark

6

- (e) Calculate the total carrying value of fixed assets on 28 February 2017.

Note: Apply Marking Principle 10

$$2\,550\,000 \checkmark + 380\,296 \checkmark + 50\,994 \checkmark = 2\,981\,290 \checkmark$$

see (c) above one part correct

4

22 MARKS

ACTIVITY 3

NSC FEB 2018

TANGIBLE ASSETS

QUESTION 5

5.1

NO.	WORKINGS	AMOUNT
(a)	<p>Additions to buildings</p> <p>4 934 450 ✓ – 1 058 520 ✓ – 2 866 990 ✓</p> <p>OR (b) below (c) below</p> <p>[3 993 390 + 300 000 – 270 280 – 97 600] – 4 934 450 <small>two marks one mark</small></p> <p>OR</p> <p>4 934 450 – 300 000 + 97 600 + 270 280 – 3 993 390</p> <p style="text-align: right;">4</p>	<p>1 008 940 <input checked="" type="checkbox"/></p> <p>one part correct</p>
(b)	<p>Total depreciation on equipment</p> <p>Old: 1 126 400 ✓ x 20% = 225 280 <input checked="" type="checkbox"/> one part correct</p> <p>New: 300 000 ✓ x 20% x 9/12 ✓ = 45 000 <input checked="" type="checkbox"/> one part correct</p> <p style="text-align: right;">6</p>	<p>270 280 <input checked="" type="checkbox"/></p> <p>one part correct</p>
(c)	<p>Disposal of equipment at carrying value</p> <p>✓ ✓ <input checked="" type="checkbox"/> ✓</p> <p>1 126 400 + 300 000 – 270 280 – 1 058 520</p> <p style="text-align: center;"><small>See (ii) above</small></p> <p style="text-align: right;">5</p>	<p>97 600 <input checked="" type="checkbox"/></p> <p>one part correct</p>

15

15 MARKS



ACTIVITY 4

NSC FEB 2015

TANGIBLE ASSETS

4.2 Calculate the missing amounts (indicated by a, b, c and d) in the Fixed/Tangible Asset Note for the year ended 31 October 2014.

	Workings	Amount	
a	3 000 000 – 2 500 000	500 000	✓✓
b	660 000 x 20%	132 000	✓✓
c	660 000 – (b) – 446 000 OR 150 000 – 68 000	82 000	✓✓ <input checked="" type="checkbox"/> one part correct
d	157 500 + 48 000 -55 000 OR 258 000 – 108 000	150 000	✓✓

9

ACTIVITY 5

NSC FEB 2016

6.2 MANAGEMENT OF FIXED ASSETS

Identify ONE problem regarding each vehicle/driver. Quote figures to support your answers. Give Kobus ONE point of advice for EACH problem identified.

	Problem with figures Problem ✓ ✓ ✓ Figures ✓ ✓ ✓	Advice ✓ ✓ ✓
Vehicle 1 (Leroy)	Leroy was absent for 8 days./ He is the highest paid driver, R8 000 where other drivers earn R5 000.	Investigate the reason for his absence./Only pay for the number of days at work.
Vehicle 2 (Fred)	Fred is travelling too many kilometres (4 600 km for 80 trips = 58 km per trip) which is higher than the maximum of 40 km per customer./He is travelling more km than Bheki (4 200 compared to 2 800 km) but doing fewer trips (70 compared to 110).	Possible disciplinary action against Fred for unauthorised use of vehicle./Improve internal control over the use of the vehicles.
Vehicle 3 (Bheki)	Bheki is doing the most number of trips (120) but his vehicle is the oldest and the most expensive to run (R0, 81 per km).	Consider replacing this vehicle as it is expensive to maintain.

9 MARKS

MANUFACTURING ACCOUNTS

ACTIVITY 1

NSC NOV 2019

MANUFACTURING

QUESTION 1

1.1	1.1.1	False ✓
	1.1.2	True ✓
	1.1.3	True ✓

3

1.2 DESKS FACTORY

1.2.1 Factory Overhead Cost Note	
Indirect labour	R 296 500
Depreciation on factory plant	166 000
Water and electricity (248 000 + 18 000) x 80% OR – 53 200 198 400 + 14 400	212 800 ✓ <input checked="" type="checkbox"/> *
Factory rent (345 600 x 810/1080) or – 86 400	259 200 ✓ <input checked="" type="checkbox"/> *
Insurance (12 600 x 75/25) or x 3 OR 50 400 – 12 600	37 800 ✓ <input checked="" type="checkbox"/> *
Factory sundry expenses	107 700 ✓
-1 (Foreign items) Advertising	*one part correct
	1 080 000 <input checked="" type="checkbox"/>*

8

1.2.2 Calculate the total cost of production of finished goods.	
Workings	Answer
$3\ 060\ 000 \quad + \quad 9\ 000 \times 160 \text{ two or no marks}$ $\quad \quad \quad + \quad 1\ 440\ 000 + 1\ 080\ 000$ <p style="text-align: center;">✓ ✓✓ <input checked="" type="checkbox"/> see 1.2.1</p> <p>OR: units DMC/u DLC/u FOHC/u</p> <p style="text-align: center;">620 three marks</p> $9\ 000 \times (340 + 160 + 120)$ <p style="text-align: center;">one mark one mark one mark one method mark</p> <p style="text-align: center;">three marks (see 1.2.1 + 9 000) + 500</p>	<p>R5 580 000</p> <p style="text-align: center;"><input checked="" type="checkbox"/></p> <p style="text-align: center;">one part correct</p>

5

1.2.3 Sihle wants to produce an additional 1 500 desks. Calculate the additional profit he can expect.	
Workings	Answer
<p>Extra units x Contribution per unit</p> $1\ 500 \times 170$ <p style="text-align: center;">750 one mark – 580 one mark [340+160+80] 1 500 ✓ x 170 ✓✓</p>	<p style="text-align: center;">Correct operation & one part correct</p> <p style="text-align: center;"><input checked="" type="checkbox"/></p> <p style="text-align: right;">R255 000</p>

4

1.3 CHAIRS FACTORY

1.3.1 Provide a calculation to confirm the break-even point for 2019.

Workings	Answer
16 000 x 96 or 1 536 000 two marks $1\,216\,000 \checkmark + 320\,000 \checkmark$ $390 \checkmark - 305 \checkmark$ 85 two marks OR: Sales VC FC $7\,047\,690 - 5\,511\,655 - 1\,536\,000 = 35$ or 0 one mark each	4

1.3.2 Comment on the break-even point and the production level achieved. Quote figures. If differences are shown for figures, this carries two marks

Comment on BEP ✓ Figures ✓ Comment on production ✓ Figures ✓
 Responses for four marks:

- Produced 16 000 units but BEP is 18 071 (or see 1.3.1) units so they will make a loss
- Produced 2 071 less than BEP so they will make a loss.
- Production increased from 15 000 to 16 000 units (by 1 000) and BEP increased from 12 400 to 18 071 units (by 5 671).
- In 2018 they made a profit on 2 600 units.

4

1.3.3 Sihle feels that wood raw material was not well controlled. Provide a calculation.

METRES	Actual issue: 22 000m ✓ Budget: 16 000 ✓ x 1,2 ✓ = 19 200m ✓ OR: Wastage = 2 800m four marks Choose one line
OR: UNITS	Expected: 22 000 one mark / 1,2 one mark = 18 334 one mark Actual: 16 000 one mark OR 2 334 fewer chairs made four marks Choose one line
OR: TOTAL COSTS	22 000 one mark x 120 16 000 one mark x 1,2 one mark x 120 one mark Expected: = R2 640 000 Actual = R2 304 000 OR Extra cost = R336 000 four marks Choose one line
OR: UNIT COSTS	Expected: 1,2 one mark x R120 one mark = R144 one mark Actual = R165 one mark OR Extra unit cost = R21 per unit extra four marks Choose one line
OR: % PROD	DMC increased by 33% (R165 - R124; 41 ÷ 124) two marks Units produced increased by 7% (1 000 ÷ 15 000) two marks

4

Identify TWO possible causes of this problem. Provide a solution for EACH.

	POSSIBLE CAUSES	SOLUTION FOR EACH
✓ ✓ TWO valid & different causes with solutions ✓ ✓	Wastage / unskilled workers	Train workers; supervise regularly Use technology (stencils / templates)
	Damage (fire / water)	Secure storage / check deliveries
	Theft of wood	Internal controls / stock counts / supervision / buy in smaller quantities / install cameras
	Poor quality wood	Source other suppliers / check deliveries

4

1.3.4 Give TWO reasons for the increase in direct labour cost. Provide a solution for EACH.

	REASONS	SOLUTION FOR EACH
✓ ✓ TWO valid & different reasons with solutions ✓ ✓	Load shedding	Generator or solar power
	Workers dissatisfied with increase / Protests	Engagement / communicate with union
	Inflation / wage increase / bonus	Improve productivity
	Overtime	Restrict overtime / more workers (avoid overtime)
	Inefficient / slow workers	Pay per unit produced / improve monitoring procedures / training programme

4

TOTAL MARKS	40
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ACTIVITY 2

NSC NOV 2018

MANUFACTURING

QUESTION 1

1.1

1.1.1	False	✓
1.1.2	True	✓
1.1.3	True	✓

3

1.2 **KRIGE SHIRTS**

1.2.1 **Calculate direct labour cost.**

3 ✓ x 1 960 ✓ x 90 ✓	529 200	three marks
529 200 x 12%	63 504	✓ <input checked="" type="checkbox"/> one part correct
1 x 1680 x 90	151 200	✓ <input checked="" type="checkbox"/> one part correct
	12 146	✓
	<u>756 050</u>	✓ <input checked="" type="checkbox"/> one part correct

9

1.2.2 **PRODUCTION COST STATEMENT FOR THE YEAR ENDED 31 JULY 2018**

Direct material cost	528 300
Direct labour cost see 1.2.1	756 050 <input checked="" type="checkbox"/>
Prime cost DMC + DLC	1 284 350 <input checked="" type="checkbox"/>
Factory overhead cost 20 000 360 880 ✓ + (48 750 ✓ - 3 750 ✓ x 4/9) ✓	380 880 <input checked="" type="checkbox"/>
Total production cost PC + FOHC	1 665 230 <input checked="" type="checkbox"/>
Work-in-progress (1 August 2017)	35 570 ✓
	1 700 800
Work-in-progress (31 July 2018) balancing figure	(38 300) <input checked="" type="checkbox"/>
Cost of production of finished goods	1 662 500 ✓✓

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1.3 GEMMA'S MANUFACTURERS

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

$ \begin{array}{r} \checkmark \quad \checkmark \\ 67\,200 + 51\,660 \\ \hline 910 \checkmark - (180 + 252 + 145) \checkmark \\ \quad \quad \quad 577 \text{ one mark} \\ \hline 118\,860 \\ \hline 333 \\ \hline \text{two marks} \end{array} $	<p>356,9 OR 357 units <input checked="" type="checkbox"/> one part correct</p>
---	--

5

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

Comparison of the BEP with the level of production of 2018 – with figures ✓✓
 /Comparison of 2017 and 2018 BEP and/or production with figures ✓✓ /General comment ✓✓

Part-marks for partial answers see 1.3.1

The break-even point decreased from 435 units in 2017 to 357 units in 2018/The break-even point decreased by 78 units

The business produced less units this year compared to last year (540 in 2017/420 in 2018)

The business made a profit on only 63 units. (420 – 357)

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 can be awarded

Increased cost due to inflation/transport costs/scarcity.
 Wastage due to poor workmanship.
 Theft of material due to poor internal controls.

SUGGESTION:

Any ONE valid suggestion related to the reason identified ✓

Look for cheaper suppliers without compromising quality.
 Negotiate transport and delivery discounts.
 Take advantage of bulk discounts.
 Train and supervise workers to minimise wastage.
 Control stock regularly to identify shortages.

5

TOTAL MARKS
40

ACTIVITY 3

NSC NOV 2017

2.1 GEVEN MANUFACTURERS

2.1.1 PRODUCTION COST STATEMENT FOR THE YEAR ENDED 28 FEBRUARY 2017

Direct material cost (1 050 000✓ + 102 000✓)	✓	1 152 000
Direct labour cost Prime cost – DMC	☑	648 000
Prime cost	✓	1 800 000
(– 84 000 one mark +100 800 one mark)	☑	504 000
Factory overhead cost (487 200✓ + 16 800✓✓)	☑	504 000
FOHC operation Prime +	☑	2 304 000
Work-in process (beginning)	✓	160 000
		2 464 000
Work-in process (end) operation TCP – subtotal	☑	(88 000)
above Check that is deducted; ignore brackets do not accept 160 000 or 0		
Total cost of production 7 200 x R330 No part marks	✓✓	2 376 000

14

2.1.2 ABRIDGED INCOME STATEMENT FOR YEAR ENDED 28 FEBRUARY 2017

Sales	✓	4 080 000
Cost of sales (336 000 ✓ + 2 376 000 ☑ – 132 000 ✓✓)		
OR (1 200 x R280) + (6 800 x R330)	☑	(2 580 000)
one mark two marks one mark		Ignore brackets
Gross profit Sales – COS	☑	1 500 000
(– 42 000 + 25 200 one method mark)	☑	(131 600)
Administration cost (148 400✓ – 16 800 ☑ see 2.1.1)		one part correct ignore brackets
Selling and distribution cost (422 000✓ – 102 000✓)	☑	(320 000)
One part correct		ignore brackets
Net profit operation (subtract AC & SDC) one part correct	☑	1 048 400

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2.2 GYMWEAR MANUFACTURERS

2.2.1 Shirts:

Calculate the break-even point for shirts.

530 000 ÷ (302 – 238) = 8 281,25 / 8 282 / 8 281 / 8281,3
 ✓ ✓ ✓ one part correct; do not accept R or c

4

Identify ONE variable cost (with figures) that has not been well controlled. Give TWO possible reasons for this problem.

ONE VARIABLE COST WITH FIGURES Variable cost ✓ Figures ✓	REASONS ✓ ✓ Any two different reasons
Direct labour cost Increased by R31 (31%) (from R100 to R131)	Expected responses: <ul style="list-style-type: none"> • Negotiated wage increase / applied minimum wage / inflation / increased salary scales (for qualifications) • Paid bonuses to some workers • Excessive overtime • Lack of productivity (inefficiency) of workers • Inexperienced / poorly trained workers • High staff turnover rate • Old equipment affects productivity • Work hours lost due to training time (workers paid for training) / due to load-shedding (power-cuts) / due to paid sick leave • Errors in calculation of wages (over-paid) Do not accept: More workers; Absent workers; Poor budgeting

4

Explain why Jan might be concerned about the large decreases in the other TWO variable costs.

	Explanations on the two VC's ✓ ✓	State or imply what the concern is ✓ ✓
Comment on DMC	Using cheaper material Economising on material	Inferior quality. May affect the quality of the product
Comment on S&DC	Reduced advertising or reduced commission / reduced remuneration of salespersons	May cause sales to drop / may demotivate salespersons
	Reduced distances for deliveries / discontinuing the service in certain areas	Leads to loss of customers
	Out-sourcing / using cheaper service providers	Might be inferior and negatively affect business in future

4

Jan does not understand why the unit cost of production has increased when neither his fixed costs nor the variable costs have increased. Explain why this is so. State ONE point (with figures).

Any one explanation ✓✓ Figures ✓✓

Expected responses: Part-marks for unclear/incomplete explanation

- No economies of scale / decrease in production by 8 900 units (25 000 to 16 100)
- Lower production increased FC per unit by R11,72 or 55,2% (R21,20 to R32,92)

4

2.2.2 Shoes:

Calculate the % increase in the selling price of shoes.

1 640–1 260

$$\frac{380}{1\ 260} \times \frac{100}{1}$$

OR 130,2% -100%= 30,2%

= 30,2% one part correct; accept 30% or 30,15%; % sign not needed

3

Jan decided to improve the quality of the shoes and to export them. Explain how the direct material costs and the selling and distribution costs were affected by this decision. Provide figures.

- DMC increased ✓ from R330 to R456 (by R126/by 38%/38,2%) ✓
- S&DC increased ✓ from R28 to R194 (by R166/by 593%/592,8%) ✓

4

Jan was concerned that the increase in price would have a negative impact on the business. Explain whether his concern was justified. State TWO points.

Figures are not needed, but may be used to make a point about the concern.

Reasons (any two) ✓ ✓ State NO concern OR imply NO concern in explanation or by using figures ✓ ✓

- Sales increased (by 1 250 units) / customers still supported the business (despite increase in price)
- Net profit increased (by R1 196 750) / price did not negatively affect sales)
- BEP decreased (due to increased contribution per unit) by 475 units / The business now exceeds BEP by bigger margin (3 908 units).

4

TOTAL MARKS
55

QUESTION 3

3.1 GLAMOUR DRESS CREATIONS

3.1.1 PRODUCTION COST STATEMENT FOR THE YEAR ENDED 28 FEBRUARY 2017.

Raw/Direct materials cost (918 550 ✓ + 5 250 ✓✓)	923 800 ✓*	
Direct labour cost (810 000 three marks) (753 300 ✓ + 48 600 ✓ + 8 100 ✓ + 8 100 ✓) OR: Solve for Y $y = 753\,300 + 48\,600 + (0,01y)$ $y = 810\,000$ DLC = 810 000 + 8 100 OR 753 300+48 600+801 900 = 99% DLC = 101% 801 900 x 101/99	818 100 ✓*	
Prime cost DMC + DLC	1 741 900 ✓	
Factory overhead cost (227 240 ✓ + 63 960 ✓✓✓) [(87 100 one mark – 7 150 two marks) x 80% one mark] 79 950 three marks	291 200 ✓*	
Total manufacturing cost operation	2 033 100 ✓	
Work-in-process (1 March 2016)	76 000	
	2 109 100	
Work-in-process (28 February 2017) operation	(169 100) ✓	
Cost of production of finished goods (1 860 000 + 190 000 – 110 000)	1 940 000 ✓✓✓*	21

-1 foreign items (max -2)

*one part correct

3.1.2 Calculate the net profit for the year ended 28 February 2017.

Gross Profit = 1 310 000 (3 marks)
 $3\,170\,000 \checkmark\checkmark - 1\,860\,000 \checkmark - 410\,000 \checkmark - (259\,010 \checkmark + 15\,990 \checkmark)$
 or $79\,950 \times 20\%$
 $79\,950 - \text{adjustment in FOHC (3.1.1)}$
 or $259\,010 - 15\,990$
 275 000 two marks
 = 625 000 ✓ one part correct

7

3.2 LIGHTING SOLUTIONS

3.2.1 Calculate the factory overhead cost per unit for the year ended 31 December 2017.

$395\,000 / 50\,000 = R7,90 \checkmark\checkmark$

2

3.2.2 Explain why George would not be concerned about the 28,1% increase in total variable cost from R936 600 to R1 200 000.

Any valid comment ✓✓ compared to inflation rate ✓ figures not necessary
 The variable cost per unit increased up by 7,6% ✓✓ which is less than inflation rate ✓
 An additional 8 000 units were produced (19% increase in production)
 There was an increase in units produced and therefore greater profits.

3

3.2.3 Give TWO reasons for the increase in the selling and distribution cost per unit.

TWO valid reasons ✓ ✓

- Advertising costs may have increased
- Increase in fuel price
- Commission to sales staff increased
- Due to inflation

Do not accept increased sales / increased delivery expenses

2

3.2.4 Calculate the break-even point for the year ended 31 December 2017.

$$\frac{575\,000}{45 - 24}$$

21 two marks
= 27 381 units one part correct (accept 27 380,9)

4

Comment on the production level for 2017. State TWO points. Quote figures.

Explanation ✓ ✓ Comparison figures not necessary but may enhance answer
must compare BEP with level of production figures ✓ ✓ see 3.2.3

- The business produced and sold 50 000 units. This is 8 000 units more than the production achieved in the previous financial year (42 000 units).
- The business produced 22 619 (50 000 – 27 381) units more than the BEP.
- There is an increase of (22 619 – 19 687) 2 932 units over the BEP when compared to the previous financial year.

4

3.2.5 Lighting Solutions are considering importing raw materials because it is cheaper and of a higher quality. Name TWO aspects that they must consider before finalising their decision.

Any TWO relevant aspects ✓ ✓

- Fluctuation in exchange rates (impact on cost/selling price)
- Additional / increasing import costs (transportation and custom duties)
- Time delays (availability and/or delivery)
- Support for local suppliers (impact on the local economy)
- Not easy to return damaged goods

2

TOTAL MARKS

45

RECONCILIATIONS

ACTIVITY 1

NSC 2019, QUESTION 2

BANK RECONCILIATION

30 MARK

QUESTION 2

2.1.1 **State THREE advantages of EFTs.**

✓ ✓ ✓ THREE different & valid advantages	Less fraud
	Convenient or easy to use
	Can be done from business; not restricted to business hours / time-saving
	Payment/receipts are instant / account is updated immediately / no long queues to deal with
	Cheaper bank charges

3

2.1.2 **Janet, the bookkeeper, has been assigned the duty of processing and controlling all EFTs.**

Explain TWO reasons why the internal auditor was concerned about this.

Part marks for unclear answer.

✓ ✓ ✓ TWO different & valid reasons	Too many related job functions / No division of duties (no checks and balances) / Possible fraud.
	She may be negligent in performing her duties.
	Lack of supervision can result in abuse / payments not made on time
	If Janet is absent, there may not be any continuity.

4

2.2 **Show the changes in the Cash Journals for June 2019.**

CASH RECEIPTS JOURNAL	Provisional totals	CASH PAYMENTS JOURNAL
27 470		32 400
-1 if 1 125 entered here and entered only once in CPJ	For one mark: R1 125 in CRJ & R1 125 x 2 in CPJ	1 125 ✓
1 500 ✓✓		
1 400 ✓✓		1 200 ✓
(7 950 – 5250) 2 700 ✓✓	Two marks or 0 7 950 CRJ one mark 5 250 CPJ one mark	175 ✓
2 800 ✓		
130 ✓		
36 000	TOTALS	34 900

-1 foreign or superfluous items max -1 e.g. 9 500

11

2.3 **Calculate: Bank Account balance**

Workings	Answer
$9\ 200 + 36\ 000 - 34\ 900$ ✓ ✓ ✓ see 2.2 see 2.2	one part correct 10 300 ✓

4

2.4

BANK RECONCILIATION STATEMENT ON 30 JUNE 2019		
	DEBIT	CREDIT
Cr Balance per bank statement	Balancing figure Could be Dr or Cr	12 550 <input checked="" type="checkbox"/>
Cr Outstanding deposit		9 675 ✓
Cr Incorrect entry		1 125 ✓
Dr Outstanding cheques / EFTs		
444	4 670 ✓✓	
522	4 580 ✓	
EFT 14	3 800 ✓	
Dr Balance per bank account	see 2.3 10 300 <input checked="" type="checkbox"/>	Do not accept 9 200
	23 350	23 350

8

If DEBIT/CREDIT columns not indicated, assume first column Debit
 Brackets not acceptable for two column method
 -1 Foreign items (if marks scored elsewhere for the amount) -1 max
 -1 max Presentation (if no / incorrect details)

OR:

VERTICAL METHODS (choose one):

Balance per bank statement	12 550
Outstanding deposit	9 675
Incorrect entry	1 125
Outstanding cheques/EFTs	
444	(4 670)
522	(4 580)
EFT 14	(3 800)
Balance per bank account	10 300

Balance per bank account	10 300
Outstanding deposit	(9 675)
Incorrect entry	(1 125)
Outstanding cheques/EFTs	
444	4 670
522	4 580
EFT 14	3 800
Balance per bank statement	12 550

TOTAL MARKS
30



ACTIVITY 2

ASC 2019

BANK RECONCILIATION

20 MARKS

1.3 BANK RECONCILIATION

1.3.1 Calculate the correct Bank Account balance on 31 May 2019.

Provisional Bank balance	R19 400	Accept alternative presentations such as Bank account or Receipts and Payment columns -1 Foreign items, max -2 if mark is earned in BRS	CRJ: 2 350 + 313 + 900 = 3 563
Cheque 654	+ 2 350 ✓		CPJ: 31 560 + 1 060 = 32 620
Theft of cash	- 31 560 ✓✓		Bank Balance 19 400 + 3 563 – 32 620 = (9 657)
Bank charges	- 1 060 ✓		
Interest income	+313 ✓		
Correction EFT two marks or 0	+ 900 ✓✓ 6 578-5 678		
Correct Bank balance	- 9 657 ✓ One part correct		

Favourable/Unfavourable: Unfavourable See calculation above

9

1.3.2 Bank Reconciliation Statement on 31 May 2019

If candidates use 1-column method and start with Bank ledger account, +ve and -ve signs will be reversed.

	Alternative	DEBIT	CREDIT
Balance as per Bank Statement	(2 700)	2 700 ✓ Balancing figure	
Outstanding deposit	21 343		21 343 ✓
Outstanding cheques:			
705	(9 450)	9 450 ✓	
797	(14 350)	14 350 ✓	
Debit deposit erroneously credit	(4 500)	4 500 ✓✓	
Balance as per bank account	(9 657)		9 657 ✓ See 1.3.1
-1 Foreign items, max -2 if mark is earned in bank calculation above		31 000	31 000

7

1.3.3 State TWO internal control measures that the business can use to ensure that this will not happen in the future.

Possible responses for two marks: ✓✓ ✓✓ Part marks for partially correct answer

- Encourage debtors to use EFTs and internet banking.
- Get other people to handle matters concerning cash (Division / Rotation of duties) also for two marks
- SMS notifications from the bank for all transactions.
- Use security companies to collect/transit the money
- Check deposits daily / Check deposits to receipts

4

ACTIVITY 3

ASC 2018

BANK RECONCILIATION

35 MARKS

QUESTION 1

1.1.1

CASH RECEIPTS JOURNAL		CASH PAYMENTS JOURNAL	
R510 607		R488 260	
4 800	✓✓	25 000	✓✓
6 250	✓	1 425 one mark +575 one mark	✓✓
145	✓	2 000	
		230	✓
		1 850	✓
		3 600	✓✓
521 802	✓*	520 940	✓*

CRJ 1 850 CPJ 3 700
One mark for both
CRJ 2 630 CPJ 6 230
Both must be shown for two marks
Cannot be less than R510 607 and R488 260

14

operation, one part correct and must include the totals b/f
Foreign entries -1 (max -1) e.g. 6 950; 12 675; 18 450; 30 975 (from previous recon)
And/or other foreign entries incorrectly duplicated in journals and/or reconciliation (mark scored elsewhere)

1.1.2

Calculate the Bank Account balance in the Ledger of Hartfield Suppliers on 30 April 2018.

R30 975	Signs may be omitted (or brackets may be used), but operation must be appropriate on the answer
+ 521 802	✓ see 1.1.1 CRJ total; net effect can be shown
- 520 940	✓ see 1.1.1 CPJ total; net effect can be shown
31 837	✓ operation, correct transfers; both CRJ must be +ve and CPJ must be -ve; must include balance b/f (could be more or less than 30 975)

3

Accept alternative arrangements for calculations such as ledger account / equation form.

1.1.3

Bank Reconciliation Statement on 30 April 2018

-1 max for presentation of details if marks earned on figures	One column method. Mark signs consistently	Debit	Credit
Balance per Bank Statement	41 537 Cannot be R18 450	Operation, balancing figure	41 537 ✓ Cannot be R18 450
Credit outstanding deposit	10 000		10 000 ✓
Debit outstanding cheques / items			
No. 613	(13 400)	13 400 ✓	
No. 652	(5 650)	5 650 ✓	
EFT – Small	(2 500)	2 500 ✓	
Credit amount wrongly debited	1 850		1 850 ✓✓
Balance per Bank Account		31 837 ✓	See 1.1.2
Balance per Bank Account	See 1.1.2 31 837	53 387	53 387

8

Foreign entries -1 (max -1) e.g. 6 950; 12 675; 18 450; 30 975 (from previous recon)
And/or other foreign entries incorrectly duplicated in journals and/or reconciliation (mark scored elsewhere)
TWO column method: Assume debit followed by credit column. Mark negative amounts wrong.

1.2 The internal auditor is concerned about the management of cash.



1.2.1 Explain TWO different problems to justify her concern. Quote figures.

Any TWO valid responses: Problem ✓ Theft ✓ Rolling Figure or date ✓ ✓

Do not accept incorrect recording of a cheque; alternative terms may be used

Problems: Inspect if two aspects are included in one explanation

- Theft/Fraud/Internal control measures are lacking (R25 000 missing) Accept date in lieu of figures
- Rolling / late depositing of cash: R12 675 received on 10 March and deposited only on 28 April 2018 OR R10 000 was received on 20 April 2018 and is still outstanding

4

1.2.2 Give advice (TWO points) on how such problems can be avoided in future.

Any two valid responses: ✓ ✓

- Create a policy for regular, daily depositing
- Request notification from bank for all transactions (sms)
- Division of duties / one person serves as a check on another
- Check promptly to bank statements
- Use a security company to collect cash
- Ask debtors to pay by EFT Accept use EFT
- Background checks / police clearance on staff

2

1.3 Explain TWO benefits of using the electronic funds transfer (EFT) system rather than cheques for direct payments to suppliers.

Any TWO valid responses ✓✓ ✓✓ Part-marks for unclear/incomplete explanations

- Cheaper than cheque payments or debit orders (only data costs)
- No holding period as for cheques before money is available
- Less fraud and theft than with cheques / eliminate risks with lost / stolen / forged / dishonoured cheques / greater security Accept security
- Payees are happy because funds can be transferred more quickly at any time of the day or night (not restricted by banking hours)
- Simplifies bookkeeping and efficiency / saves time / transactions quicker / proof of payment immediate
- Save on bank charges

4

TOTAL MARKS
35

ACTIVITY 4

NSC 2017

BANK RECONCILIATION

30 MARKS

QUESTION 1

1.1

1.1.1	False ✓
1.1.2	False ✓
1.1.3	True ✓

3

1.2.1

Calculation of CRJ total		Calculation of CPJ total
90 500		85 920
9 750 ✓		
	2 900 in CRJ and 9 200 in CPJ Both for two marks	6 300
		OR 9 200 ✓✓ (2 900)
	(5 500) in CRJ one mark 5 500 in CPJ one mark	11 000 ✓✓ or 5 500 & 5 500 one mark each
16 500 ✓		2 290 ✓
	May be combined as R320 OR R1 220-R900 in CPJ for two marks	750 ✓
900 ✓		1 220 ✓
117 650		107 480

Foreign entries -1 e.g. 8 550; 13 590; 16 200; 30 000
Be aware of other foreign entries that are incorrectly duplicated in journals and/or reconciliation.

Bank account balance:
May prepare a ledger account

-5 210 ✓ + 117 650 - 107 480 = R4 960
see CRJ +ve see CPJ -ve if one mark allocated in workings

14

1.2.2

Bank Reconciliation Statement on 30 June 2017

May start with ledger balance	DEBIT	CREDIT	One-column method
Balance per Bank Statement <small>check balancing figure</small>	9 740 <input checked="" type="checkbox"/>	Do not accept R1 450	9 740
Outstanding deposits		40 500 ✓✓	40 500
Outstanding cheques			
• 819	7 650 ✓		(7 650)
• 870	16 800 ✓		(16 800)
Outstanding EFT	2 250 ✓		(2 250)
Credit incorrect bank charges		900 ✓✓	900
Balance per bank account <small>see 1.2.1</small>	4 960 <input checked="" type="checkbox"/>		4 960
	41 400	41 400	

Foreign entries -1 e.g. 8 550; 13 590; 16 200; 30 000
-1 incorrect / no details Foreign items -1
For 2-column method with brackets used, do not accept brackets/negatives in any column.

9

1.2.3 Explain the problem relating to deposits. Quote evidence.

Valid explanation ✓

Evidence ✓

Expected responses:

Deposits are not being done promptly / Late deposits (leads to cash flow problems)

OR

Rolling of cash / could indicate theft

Evidence: Dates or figures

- Deposit of R30 000 / 17 May / approx. 16 days was outstanding at month end
- Deposit of R16 200 / 31 May / approx. 16 days only reflected on statement on 16 June
- Deposit of Slip 451 / R40 500 / 25 June outstanding at month-end

Explain TWO strategies to prevent this in future.

TWO valid points ✓ ✓

accept short explanations; may be phrased differently

- Division of duties: The person receiving the money and issuing receipts should be different from the person completing the deposit slip and another person should deposit the money at the bank so that one can serve as a check on the other.
- Senior personnel should check via internet banking / deposit slips that deposits reflected daily.
- Request SMS from bank for all transactions.
- Use a security company to collect the deposits on a daily/regular basis.
- Encourage debtors to make direct transfers (EFT).

4

TOTAL MARKS

30



ACTIVITY 1

NSC 2018

CREDITORS' RECONCILIATION

21 MARKS

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	92 470
	Both totals reasonable <input checked="" type="checkbox"/>	

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

ACTIVITY 2

ASC 2016

CREDITORS' RECONCILIATION

18 MARKS

1.3 CREDITORS' RECONCILIATION

1.3.1

	CREDITORS' LEDGER	CREDITORS' RECONCILIATION STATEMENT
Balance	110 170	111 600
(a)	-11 100 ✓	
(b)	+ 5 000 ✓	
(c)		- 28 800 ✓
(d)	+ 1 650 ✓✓	
(e)	- 2 400 ✓✓	
(f)		- 5 400 ✓✓ -2 700 1 mark -2 700 1 mark
(g)	+ 3 300 ✓	
(h)		- 13 800 ✓
		- 1 380 ✓
		+ 44 400 ✓
		-15 180 two marks +29 220 three marks
	106 620 <input checked="" type="checkbox"/> (both totals)	106 620

14

Foreign items -1 per line if candidate earned a mark on that line

1.3.2 State TWO internal control measures that the business can use to prevent similar incidents from happening in future.

Any TWO relevant control measures ✓✓ ✓✓ No part marks to be awarded

- Division of duties / rotate duties. (Pearl must not be the only person responsible for ordering and recording goods.)
- Have special order forms to be signed by two people.
- Check documents regularly against deliveries.
- Do regular/random stock counts to verify stock records.

4

ACTIVITY 3

FEB/MAR 2016

CREDITORS' RECONCILIATION

30 MARKS

QUESTION 1

1.1 Explain how the Creditors' Reconciliation Statement can assist the business in terms of their internal control measures. State TWO points.

TWO valid points ✓✓ ✓✓

- It will assist the business in detecting errors/omissions in their books.
- It will show errors/omissions in the statement received.
- Detect fraudulent activities and take action

4

1.2 Calculate the correct balance of Pikor Suppliers in the Creditors' Ledger Account of Machu Traders. Show the changes to the figure R116 400.

$$116\,400 \checkmark + 780 \checkmark - 480 \checkmark \checkmark - 27\,300 \checkmark \checkmark - 810 \checkmark \checkmark - 10\,800 \checkmark \checkmark$$

$$= 77\,790 \checkmark \checkmark \text{ one part correct}$$

12

1.3 Creditors' Reconciliation Statement for Pikor Suppliers on 30 April 2015.

Details	Amount	
Balance per statement of account	121 800	✓
Credit amount to correct invoice over stated	(30 000)	✓✓
Debit amount wrongly credited	84 000	✓✓
Transfer of balance	(3 600)	✓✓
Credit payment after statement date	(93 000)	✓
Credit discount after statement date	(1 410)	✓
Correct balance	77 790	✓

10

1.4

The owner of Machu Traders is not completely satisfied with the service and quality of goods received from Pikor Suppliers. Suggest TWO factors he should consider before changing suppliers.

TWO valid factors ✓✓ ✓✓

- The credit terms offered
- Will they offer discount for early payments
- Will alternative supplier be able to meet the demands of the business
- The quality of the products they are able to deliver

4

TOTAL MARKS
30



ACTIVITY 1

ASC 2017

DEBTORS RECONCILIATION

16 MARKS

QUESTION 1

1.1 TRUE OR FALSE

1.1.1	True ✓
1.1.2	False ✓
1.1.3	False ✓

3

1.2 MIZZY BOUTIQUE

Use the table provided to indicate corrections that must be made to the Debtors' Control Account and the debtors' list.

Provide figures and a plus (+) or minus (-) sign for each correction.

	Debtors' Control Account	Debtors' List
Balance/Total on 28 February 2017	R37 710	R39 490
(a)	+ 7 440 ✓	+ 7 440 ✓
(b)		- 4 500 ✓✓
(c)		+1360 +1360 one mark one mark + 2 720 ✓✓
(d)	+ 1 350 ✓	+ 1 350 ✓
(e)	- 450 ✓	- 450 ✓
(f)	+ 1 950 ✓	+ 1 950 ✓
Balance/Total on 28 February 2017	R48 000 <input checked="" type="checkbox"/> for both totals; need not be equal	R48 000

13

-1 superfluous items (max -2) refer (b) and (c) only

No sign: assume positive; Brackets: assume negative; Tick is for figure & sign

ACTIVITY 2

NSC 2016

DEBTORS RECONCILIATION

30 MARKS

QUESTION 2

2.1.1 Simply Traders have the telephone numbers of all their debtors. What other information should they obtain before allowing customers to open accounts? State TWO points with a reason in EACH case.

Do not accept Telephone number of debtor
Can award two marks if information & reason is in same sentence

	Information to be obtained ✓ ✓	Reason ✓ ✓
Point 1	Salary advice slip / Proof of income	To set credit limits for each possible debtor To determine affordability
Point 2	Proof of residence / Address	To be able to trace debtors not adhering to credit terms and conditions To avoid fictitious debtors To be able to do a proper background check on each new debtor Constant reminders of amount owed To ensure that statements are sent to correct addresses
OR	Contact details of family / friend	To track the debtor if other information is incorrect / changes
OR	Bank statement / balance	To check how the debtor is managing his finances
OR	Identity document	Ensure that correct personal details of customers are on record
OR	Credit references / Credit history	To check that they will not sell to bad debtors To check credit worthiness
OR	Email address	Prompt communication of statements of account

4

2.1.2 Calculate the correct closing balance of the Debtors' Control Account on 31 October 2016.

$$179\,500 + 2\,500 - 900 + 500 = 181\,600$$

One part correct
Signs cannot be reversed as this is Dr / Cr

OR: T-account with figures on correct sides

Debit (plus)	Credit (minus)
179 500	*900
2 500	Balance c/d 181 600
500	*OR 21 000 credit <u>with</u> 20 100 debit

6

Calculate the correct amounts owing by debtors.

	Calculations	Balance
J Ramsay (D2)	8 500 two marks $37\,500 - 4\,300 + 8\,350 + 150$	*41 700
W Smith (D3)	+ 3 600 - 6 300 both for two marks $19\,500 + 2\,500 - 2\,700$	*19 300
C Prince (D5)	10 200 two marks $3\,900 + 4\,300 + 5\,100 + 5\,100$	*18 400

*One part correct for method mark

12

2.1.3 Calculate the percentage of debtors complying with the credit terms.

58 600 two marks

$$\frac{35\,300\checkmark + 23\,300\checkmark}{201\,200\checkmark}$$

$$= 29,1\% \quad \checkmark$$

One part correct
Accept 29%

OR

ignore 142 600 – not applicable to compliance

$$\frac{142\,600}{201\,200} = 70,9\% \quad \text{one mark}$$

$$201\,200 \quad \text{one mark}$$

$$\text{Complying} = 29,1\%$$

one method & one accuracy mark

OR $17,5\% \text{ one mark} + 11,6\% \text{ one mark} = 29,1\% \text{ one method \& one accuracy mark}$

4

Explain TWO measures to improve the collection from debtors.

Any TWO relevant measures ✓✓ ✓✓

Part-marks for unclear / incomplete answers

Possible responses for two marks: Accept alternative valid responses

- Monthly statements must be sent out / emailed on time.
- Offer higher discounts for early payments.
- Add interest on overdue accounts.
- Do not sell to debtors exceeding the credit limit / not up to date with payments.
- Send SMS reminders to debtors.
- Employ services of an attorney or debt collector / sue the debtor.
- Encourage debtors to pay by debit order.

Possible responses for one mark: Interest / discount / SMS

No mark for: Get debtors over 60 days to pay quicker or reduce credit limit of such debtors

4



ACTIVITY 3

KZN PRELIMS 2019

DEBTORS RECONCILIATION

28 MARKS

1.3.1 Briefly explain why the balance of the debtors control account should correspond with the total of the list of debtors.

Any valid point ✓✓

The Debtors Control account is a summary of all the debtors' accounts in the Debtors Ledger. / Complete/compiled from the same source documents.

2

1.3.2 Calculate the correct closing balance of the debtors control account as at 30 June 2019.

$$175\,700 - 4\,100 \checkmark + 2\,300 \checkmark + 8\,700 \checkmark + 300 \checkmark = 182\,900 \checkmark$$

9000 two marks Operation one part correct

5

1.3.3 List of debtors of Birdswood Traders on 30 June 2019.

S. M Mazibuko	46 500 - 1 400 ✓ - 1 400 ✓	2 800 two marks	43 700 ✓
T.G Nyembe	31 800 - 7 600 ✓		24 200 ✓
T.M Msweli	27 000 + 2 300 ✓		29 300 ✓
J.P Botha	63 200 - 2 700 ✓		60 500 ✓
P.S Pillay	8 600 + 7 600 ✓ + 8 700 ✓ + 300 ✓	9000 two marks	25 200* ✓
		Operation one part correct	182 900 ✓

14



1.3.4

BIRDSWOOD TRADERS

- Does Birdswood Traders have effective control over their debtors?
Explain by quoting figures to motivate your answer.
Explanation ✓ **Figure** ✓✓
 $60\,000/187\,500 \times 100 = 32\%$ of the debtors keep to the credit terms of 30 days.
OR
 $127\,500/187\,500 \times 100 = 68\%$ of the debtors exceed the payment period of 30 days.
OR
Mazibuko, Botha and Pillay have exceeded their credit limits by R13 700, R20 500 and R15 200 respectively.

3

- State TWO actions that Birdswood could take in order to encourage debtors to settle their accounts according to the terms.
Any two relevant answer ✓✓ ✓✓
 - Issue monthly statements
 - Send reminders through text messages [SMS].
 - Allow discounts to debtors who pay in time.
 - Charge interest on overdue accounts.
 - Stop selling to debtors until overdue accounts are settled.

4



ACTIVITY 4

Debtors Age Analysis

2 DELUSH LTD.

2.1	<p>Identify the problem with debtor G. Hugo. Quote figures.</p> <p>His total debt is R5 750 (R4 200 + R1 550) and his credit limit is R5 500, ✓ thus G. Hugo is over his credit limit. ✓</p> <p>OR</p> <p>G. Hugo is R250 over his credit limit. ✓ ✓</p>	<input type="text"/> <input type="text"/> 2
2.2	<p>What should the credit controller do about N. Tshabalala's account in March 2018? Give THREE actions.</p> <ul style="list-style-type: none"> • Contact N. Tshabalala about paying R1 175 and if he does not, hand this amount over to the lawyers. ✓ ✓ • Charge interest on the R1 175 and R1 350. ✓ ✓ • Ensure that no further credit sales are made to N. Tshabalala until the debt is settled. ✓ ✓ 	<input type="text"/> <input type="text"/> 6
2.3	<p>Explain why debtor, A. Wijn, should be handed over to the attorneys.</p>	<input type="text"/> <input type="text"/> 2
	<p>The debtor, A. Wijn, does not pay in time (>90 days) ✓ ✓</p>	<input type="text"/> <input type="text"/> 2

VALUE ADDED TAX

ACTIVITY 1

ASC 2019

VAT

15 MARKS

QUESTION 1

1.1

1.1.1	True	✓
1.1.2	True	✓
1.1.3	False	✓
1.1.4	True	✓

4

1.2

Calculate the amount receivable from or payable to SARS for VAT on 30 April 2019.

Mark one line only. Cannot mix signs. Inspect candidates' responses. Award highest mark.

✓ ✓ ✓ ✓✓ ✓✓ ✓✓ One part correct
 $15\ 890 - 1\ 470 + 3\ 075 - 1\ 305 - 33\ 600 + 51\ 750 = 34\ 340$
224 000 x 15%

OR

$- 15\ 890 + 1\ 470 - 3\ 075 + 1\ 305 + 33\ 600 - 51\ 750 = - 34\ 340$

Mark one "account"/workings only. Inspect candidates' responses. Award highest mark. Items marked * may be shown on the opposite side in brackets.

VAT CONTROL	
33 600	15 890
*1 305	51 750
*1 470	*3 075
34 340	
70 715	70 715

VAT CONTROL	
15 890	33 600
51 750	*1 305
*3 075	*1 470
	34 340
70 715	70 715

Receivable/Payable: Payable ✓ Do not accept Receivable (irrespective of workings)

11

ACTIVITY 2

NOV 2018 , QUESTION 2

VAT

14 MARKS

QUESTION 2

2.1 VAT

2.1.1

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

ACTIVITY 3

FEB/MAR 2018 , QUESTION 1

VAT

15 MARKS

1.3.1

Calculate the VAT amount that is either receivable from or payable to SARS on 31 July 2017.

MARK ONE LINE ONLY (DO NOT MIX LINES)

27 200 ✓ – 69 300 ✓ + 22 260 ✓ + 2 100 ✓
 + 4 200 ✓✓ – 1 260 ✓✓ – 4 130 ✓✓ = – 18 930 ✓
 One part correct

OR

–67 200 two marks +21 000 two marks
 27 200 – 69 300 + 2 100 + 22 260 – 1 260 + 4 200
 – 4 130 = – 18 930

OR

+67 200 two marks –21 000 two marks
 – 27 200 + 69 300 – 2 100 – 22 260 + 1 260 – 4 200
 + 4 130 = 18 930

VAT CONTROL CALCULATION	
VAT INPUT	VAT OUTPUT
27 200	*69 300
#22 260	#1 260
*2 100	4 130
4 200	
18 930	
74 690	74 690

* Sales less returns
 69 300 – 2 100 = 67 200 two marks

Purchases less drawings
 22 260 – 1 260 = 21 000 two marks

11

1.3.2

Nomvula has ordered goods with a marked price of R35 000 from Beta Suppliers.

The sales director of Beta Suppliers, Jim Frow, has offered to sell these goods to Nomvula for R15 000, provided that they do not have to issue an invoice.

Comment on the offer made by Jim. State TWO points.

TWO valid points ✓✓ ✓✓ part-mark for unclear / incomplete answer

- Tax evasion / buying stolen goods is illegal / unethical
- The issuing of documents is important for internal control purposes / It is fraudulent not to issue an invoice
- Unethical/illegal activity will tarnish the image of the business.
- Discount limits must be formalised by management (otherwise fraudulent)

4

ACTIVITY 4

FEB/MAR 2017

VAT

14 MARKS

QUESTION 1

1.1 CONCEPTS

1.1.1	B	✓
1.1.2	A	✓
1.1.3	D	✓

3

1.2 VALUE-ADDED TAX (VAT)

1.2.1 Calculate the amount of VAT either receivable from or payable to SARS on 31 July 2016.

$$16\,800 \checkmark - 189\,000 \checkmark\checkmark + 115\,500 \checkmark\checkmark - 1\,120 \checkmark + 840 \checkmark \\ = -56\,980 \checkmark \text{ One part correct}$$

OR

$$-16\,800 + 189\,000 - 115\,500 + 1\,120 - 840 = 56\,980$$

VAT CONTROL	
16 800	189 000
115 500	*1 120
*840	
56 980	
*Can be on opposite sides in brackets NB: Columns can be reversed. Apply one method consistently.	

Receivable/Payable: Payable ✓

9

1.2.2 The owner wants to change the VAT amount on bad debts from R840 to R4 200. Give ONE reason why you would disagree with him.

Any valid reason ✓✓

Possible responses for two marks:

- It is unethical to forward incorrect information to SARS in order to reduce the amount payable/increase amount receivable.
- It is illegal /fraudulent to provide falsified information to SARS as this will lead to fines or a jail sentence to the offender.

Possible responses for one mark:

Unethical / illegal / Fraud

2

ACTIVITY ONE

NOV 2019 , QUESTION 2

CABINETS

3.1 Calculate the value of closing stock using FIFO.

Workings	Answer
$(230 \checkmark \times 1\,100 \checkmark) + (50 \checkmark \times 990 \checkmark)$ <p style="text-align: center;">If 280 – units in first part</p> $\frac{253\,000}{230} + \frac{49\,500}{50}$	<p>one part correct</p> <p>R302 500 <input checked="" type="checkbox"/></p>

6

3.2.1 Calculate the % mark-up achieved in 2019.

Workings	Answer
$\frac{3\,480\,000 - 2\,170\,500}{2\,170\,500} \checkmark \checkmark \times 100$	<p>one part correct</p> <p>60,3% <input checked="" type="checkbox"/></p>

4

3.2.2 Provide TWO points (with figures) to prove that this decision achieved its aims.

<p><input checked="" type="checkbox"/> <input checked="" type="checkbox"/></p> <p>TWO different & valid points</p>	<p>Sales increased to R3 480 000 (from R3 375 000) / by R105 000 / by 3,1%</p>
<p><input checked="" type="checkbox"/> <input checked="" type="checkbox"/></p> <p>Figures</p>	<p>Number of customers increased to 37 (from 26) / by 11 / by 42%</p>

4

3.2.3 The CEO feels that this decision also negatively affected the company. Provide TWO points (with figures) to support his opinion. **Do not accept Mark-up % here**

<p><input checked="" type="checkbox"/> <input checked="" type="checkbox"/></p> <p>TWO different & valid points</p>	<p>Gross profit decreased to R1 309 500 (from R1 425 000) / by R115 500 / by 8,1% / Cost of sales increased to R2 170 500 (from 1 950 000) / by R220 500 / by 11,30%</p>
<p><input checked="" type="checkbox"/> <input checked="" type="checkbox"/></p> <p>Figures</p>	<p>Average units per customer dropped to 63 (from 96) (2 500/26) (2 320/37) / by 33 / by 34%</p>
	<p>Units sold dropped by from 2 500 to 2 320 / by 180 / by 7,2%</p>

4

Give the directors advice to solve this problem. Explain TWO points.

<p><input checked="" type="checkbox"/> <input checked="" type="checkbox"/></p> <p>TWO different & valid points</p>	<p>Restrict (be selective with) trade discounts to good customers only</p>
	<p>Find a cheaper supplier (to compensate for keeping selling prices low)</p>
	<p>Increase marketing / advertising in areas outside the current areas targeted</p>
	<p>Provide other incentives such as after-sales services, maintenance or free deliveries</p>

2

ACTIVITY TWO

NOV 2018 , 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.

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

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.
(3 155 – 25)

$$420 + 3\,130 - 3\,050 - 496 = 4 \text{ units}$$

✓ ✓ ✓ ✓ one part correct

$$-420 - 3\,130 + 3\,050 + 496 = -4 \text{ units}$$

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.

$$\frac{1\,500\,030 \checkmark \text{ see 5.2.1} \times 365 \text{ (or 12)} \checkmark}{913\,500 \checkmark + 8\,384\,850 \checkmark - 1\,500\,030 \checkmark \text{ see 5.2.1}}$$

8 460 850 - 76 000
9 298 350 two marks / 7 798 320 three marks

= 70,2 days one part correct OR COS: $913\,500 + 1\,912\,500 + 2\,618\,800 + 2\,355\,720$
OR: 2,3 months one mark [one mark one mark] max. three marks

OR: IF UNITS ARE USED:
two marks one mark one method mark two marks one mark one method mark
 $\frac{496 \times 12}{3\,050} = 1,95 \text{ months}$ OR $\frac{496 \times 365}{3\,050} = 59,4 \text{ days}$
3 050 two marks 3 050 two marks

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

ACTIVITY THREE

NOV 2015 , QUESTION 2

2.1 INVENTORY VALUATION

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

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

Expected responses:

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

2

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

1 mark only
 $348\ 800 + 3686\ 400$ [150 1 mark X 1 200 1 mark] 1 mark
 $R4\ 033\ 200$ ✓ $- R180\ 000$ ✓✓✓ $\times 650$ ✓ = $\frac{3\ 853\ 200}{3\ 380}$ 4 marks $\times 650$
 300 ✓ + 3 230 ✓ - 150 ✓ **if subtracted** 3 marks
 7 marks 1 mark
 $= 1\ 140 \times 650 = R741\ 000$ ✓ **one part correct**

9

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

see 2.1.2 **one part correct**
 $\frac{741\ 000}{3\ 853\ 200 - 741\ 000} \times 365 = 86,9$ or 87 days ✓
 $\frac{741\ 000}{4\ 033\ 200 - 180\ 000}$ **see 2.1.2** 2 marks

OR : IF UNITS ARE USED

1 mark 2 marks 1 mark 1 method mark
 $650 / 2\ 730 \times 365 = 86,9$ or 87 days

5

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

✓✓ ✓✓ ✓ **one part correct**
 $R632\ 400 + (140 \times R1\ 200) = R800\ 400$
188 000 3 marks

6

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

Incomplete / unclear reason: 1 mark

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

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

Incomplete / unclear reason: 1 mark

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

4

2.2 INTERNAL CONTROL

2.2.1 Calculate the number of shirts stolen.

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

Give TWO points of advice.

Any two valid points $\checkmark\checkmark\checkmark\checkmark$ Award part-marks for incomplete answers

Expected responses for 2 marks:

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

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

9

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

9

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

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

6

TOTAL MARKS
50

ACTIVITY 4

NOV 2017

5.1 CONCEPTS

Accept understandable abbreviations

5.1.1	Weighted average / WA	✓
5.1.2	Perpetual	✓
5.1.3	First-in-first-out / FIFO	✓
5.1.4	Expense	✓

4

5.2 HOT-WHEELS (PTY) LTD

Motorbikes:

5.2.1 Calculate the value of the closing stock on 30 September 2017 using the specific identification method.

$$243\ 000 \checkmark\checkmark + 109\ 600 \checkmark\checkmark + 252\ 800 \checkmark\checkmark = 605\ 400 \checkmark \text{ one part correct}$$

$$\begin{matrix} 18-8 & & 15-11 & & 18-10 \\ (10 \times 24\ 300) & + & (4 \times 27\ 400) & + & (8 \times 31\ 600) \end{matrix}$$

OR

OS	+ P	- COS	= CS
one mark	one mark	four marks	one method mark
291 600	+ 1 125 600	- 811 800	= 605 400
316 000 + 301 400 + 194 400			

7

5.2.2 Mike requires your advice on the three different models of motorbikes in which he is trading. Explain TWO points of advice.

Any TWO valid points of advice ✓✓ ✓✓
 Part-marks for unclear/incomplete explanation

Expected responses:

- Reduce the price of AO2 to increase sales / A lower mark-up% will help in reducing stock levels.
- Discontinue / decrease the AO2 product and look at stocking alternative later model products.
- Stock more AO3 products as they seem to be more popular and in an affordable range.
- Stock more of the AO4 model because gross profit per unit is the biggest on the item.

4

Helmets:

5.2.3

Calculate the value of the closing stock on 30 September 2017 using the weighted-average method.

Mark one line only – choose line to benefit candidate

51 675 four marks
 54 300 two marks (5 x 525) two marks
 $15\ 000 \checkmark + 39\ 300 \checkmark - 2\ 625 \checkmark \checkmark \times 12 \checkmark = 6\ 201 \checkmark$ one part correct; must x12
 $30 \checkmark + 75 \checkmark - 5 \checkmark$
 105 two marks 100 three marks (517 x 12)
OR $516,75 \times 12 = 6\ 201$ or $6\ 204$ (weighted-average rounded off)
 seven marks

9

5.2.4

Is the weighted-average method appropriate to value the helmets? Explain ONE point.

Yes/No Explanation Part-marks for unclear/incomplete explanation

Explanation for yes:

- These are low cost compared to the other products Mike sells.
- The items are of similar value.

Explanation for no:

- Helmets are only demanded by a select few bike enthusiasts.
- The business does not buy very large quantities.
- The prices are always increasing so the later model will be more expensive.

3

5.2.5

Mike suspects that helmets are being stolen from the shop despite using security cameras. Provide a calculation to verify his suspicion.

$(30 + 75 - 5)$
 $100 \checkmark \checkmark - 12 \checkmark - 85 \checkmark = 3$ helmets missing One part correct
 One part correct

5

What can Mike do to improve the internal control of stock? State THREE points.

Three valid points

Expected responses:

- Do regular physical stock counts
- Place tracking devices on the products / security price tags
- Provide secure display cabinets for the stock
- Improve security at the gates / inspect items and check to sales slip
- Division of duties (if staff is suspected)
- Buy in smaller quantities / more regularly

Do NOT accept security cameras / CCTV

3

TOTAL MARKS
35

**ACTIVITY 5
QUESTION 2**

ASC 2018

2.1 **Accept abbreviations**

2.1.1	Selling and distribution cost	✓
2.1.2	Direct labour cost	✓
2.1.3	Direct/raw materials cost	✓
2.1.4	Administration cost	✓

4

2.2 TIGHT-FIT MANUFACTURERS

2.2.1 **Calculate: Value of the closing stock of raw materials**

Workings	Answer
$\begin{array}{r} 2\,607\,000 \checkmark \\ 23\,700 \checkmark \\ \hline 110 \text{ two marks} \end{array} \quad \times \quad 3\,900 \checkmark$	429 000 ✓ Operation, one part correct must multiply by 3 900

4

Calculate: Value of direct/raw materials issued for production

Workings	Answer
$2\,607\,000 \checkmark - 429\,000 \checkmark \text{ see above}$	2 178 000 ✓ Operation, one part correct
OR $(23\,700 - 3\,900) \times 110$ one method mark (see above) 19 800 one mark	

3

Calculate: Correct factory overhead costs

Workings	Answer
$746\,670 + 56\,550 \checkmark \checkmark \checkmark + 59\,280 \checkmark \checkmark$ e.g. 746 670 + 56 550 – 59 280 would be three marks plus the method mark on answer 746 670 – 56 550 – 59 280 would be 0 marks and no method mark on answer	862 500 ✓ Operation, one part correct

6

2.2.2 **Production Cost Statement for the year ended 31 March 2018.**

Incorrect placement of DMC and FOHC: do not award ticks for details; -1 presentation if WIPS details not given;
 Will also lose method marks on Prime cost subtotal; the figures will get method mark even if incorrectly placed

✓ Direct materials cost	see DMC in 2.2.1	2 178 000 ✓
Direct labour cost		3 522 000 ✓
Prime cost	Must be DMC + DLC	5 700 000 ✓
✓ Factory overhead cost	see FOHC in 2.2.1	862 500 ✓
Total manufacturing costs	Operation one part correct, DMC+DLC+FOHC regardless of placement	6 562 500 ✓
Work-in-process at beginning of year		147 500
		6 710 000
Work-in-process at end of year	Balancing figure; do not accept 231 000 or 118 000 must be subtotal above – COPOFG	(305 000) ✓
Cost of production of finished goods	operation, one part correct (118 000 ✓ + 6 518 000 ✓ – 231 000 ✓)	6 405 000 ✓

12

2.2.3 Give TWO reasons why the business should support local suppliers.
 Any TWO relevant reasons ✓ ✓
Reasons:

- No import charges will be paid
- Prices more stable / prices not influenced by fluctuations in exchange rates.
- Creates more employment opportunities to people from the country / enhances GDP of the country / helps small or new businesses / improves standard of living
- No delays in the case of emergency orders or returns / more convenient to transport goods
- Money stays in the country / improves exchange rate
- Less crime if employment increases
- Goodwill of the community (Ubuntu)

2

2.3 BREAK-TIME MANUFACTURERS

2.3.1 Calculate the direct labour cost for the year ended 30 April 2018.

Workings	Answer
331 500 x R7,56 Two marks or nothing on final answer	R2 506 140 ✓✓

2

Calculate the break-even point for the year ended 30 April 2018.

Workings	Answer
$\frac{R3\ 102\ 500\ \checkmark}{R28\ \checkmark - R19,50\ \checkmark}$ 8,50 two marks	365 000 units <input checked="" type="checkbox"/> Operation, one part correct Must not be R, c, % etc Units do not have to be stated

4

2.3.2 Explain why the owner should be concerned about the break-even point. Quote figures.
Compare BEP with level of production ✓✓ Figures ✓

- The business produced and sold 331 500 units. This is below the break-even point of 365 000 units (33 500 units less) see 2.3.1
- The BEP has increased by 131 000 units (56%) while the number of units produced and sold increased by 37 500 units (13%).

3

2.3.3 Explain why the owner would NOT be satisfied with the direct labour cost per unit. Quote figures.
 Trend ✓ Figures ✓ Explanation ✓ Do not accept comment on total DLC

- **Trend:** The increase in the labour cost is R1,96 per unit (R5,60 to R7,56) / 35% increase / DLC per unit went up by 35% while units produced went by 13%
- **Explanation:** This exceeds the inflation rate / workers have been inefficient / production volume did not increase as much as the DLC per unit

Give ONE solution to this problem.
Any ONE relevant control measure ✓✓ Part marks for unclear / incomplete answer

- Set production targets of production (during normal hours) / time and motion studies.
- Better supervision to ensure workers are on duty during normal working hours/ Set limits on overtime hours and ensure foreman controls this.
- Reconsider conditions of service e.g. minimum normal hours, overtime rate.
- Have plans for disruption due to power cuts, strikes etc.
- Engage in skills training to improve efficiency of workers.
- Use machines more extensively
- Negotiate affordable / reasonable increases (in line with inflation) in salaries/ wages.

3

2

TOTAL MARKS
45

ACTIVITY 1
QUESTION 6

NSC 2019

6.1 Foreign entries
-1 max -2

	CASH BUDGET			PROJECTED INCOME STATEMENT		
	Nov. 2019	Dec. 2019	Jan. 2020	Nov. 2019	Dec. 2019	Jan. 2020
Printer bought	40 800 ✓					
Depreciation					680 ✓	680 ✓
Insurance			48 000 ✓			4 000 ✓✓
Loan received		100 000 ✓				
Loan repayments			*5 000 ✓			
Interest			*1 000 ✓✓			1 000 ✓

11

6.2

Calculate the % of debtors who settle their accounts in the 2nd month following the credit sales transaction month

Workings	Answer
$\frac{67\ 500}{90\ 000} \times 100$ ✓ or $\frac{75\ 000}{100\ 000} \times 100$ or $\frac{90\ 000}{120\ 000} \times 100$ ✓ ✓	One part correct 75% ✓

3

Calculate the % of debtors written off as bad debts at the end of the 3rd month following the credit sales transaction month.

Workings	Answer
$90\ 000 - 67\ 500 - 19\ 800 = 2\ 700$ $\frac{2\ 700}{90\ 000} \times 100 = 3\%$ ✓✓	One part correct 3% ✓
OR: $100\ 000 - 75\ 000 - 22\ 000 = 3\ 000$ $\frac{3\ 000}{100\ 000} \times 100 = 3\%$ two marks one mark	
see above $\frac{19\ 800}{90\ 000}$ or $\frac{22\ 000}{100\ 000}$ OR: $100\% - 75\% - 22\% = 3\%$ ✓ one mark one m.mark one mark -97% two marks	

4

6.3.1

The office workers are unhappy with the increase that Thembi gave them on 1 October 2019. Explain what she should say to them. Provide TWO points. Quote figures or a calculation. Only one figure required per point.

part-marks for partial or incomplete answers ✓✓ ✓✓ Any two valid and different points ✓ ✓ Figures/Calculations	They received a (large) increase of 20% (unbudgeted; which is more than inflation) ($\frac{1\ 840}{9\ 200} = 20\%$) 'Large' need not be mentioned if 20% is provided.
	Sales target (under by R110 000) / GP target (under by R32 000) not reached but increase in wages (20%) granted
	The director took a R10 000 drop in pay / reduced from R50 000 to R40 000 / by 20%
	They received training costing R40 000 (R25 000 over budget) which will benefit them in future

6

ACTIVITY 2**FEB/MARCH 2018****QUESTION 6**

6.1.1 Calculate the mark-up percentage on spare parts used in the Projected Income Statement for March 2018.

$$22\,875 \checkmark / 30\,500 \checkmark \times 100 = 75\% \checkmark \text{ one part correct}$$

3

6.1.2 Calculate % decrease in service fee income expected in April 2018.

$$13\,500 \checkmark / 150\,000 \checkmark \times 100 = 9\% \checkmark \text{ one part correct}$$

(150 000 – 136 500) one mark

3

6.1.3

Calculate the additional space (in square metres) the business will rent from April 2018.

$$6\,000 / 75 = R80 \checkmark \checkmark$$

$$9\,200 / R80 = 115 \text{ sqm} \checkmark$$

$$\text{Additional space} = 115 - 75 = 40 \text{ square metres} \checkmark \text{ one part correct}$$

OR

3 200 one mark

$$(9\,200 - 6000) = 40 \text{ sqm one method mark}$$

80 two marks

4

6.1.4 Calculate the interest rate on the fixed deposit.

$$5\,700 - 2\,700$$

$$\frac{3\,000 \checkmark \checkmark \times 12 \checkmark}{450\,000 \checkmark} \times 100 = 8\% \checkmark \text{ one part correct}$$

5

6.2 Comment on the control of stock and explain how Vusi intends to correct this. Quote figures.

Each item $\checkmark \checkmark$ Figures $\checkmark \checkmark$ Comparison figures not essential

Trading stock deficit reduced to R2 000 (was high at R14 000)

Increase in security expenses by R4 200 / from R5 000 to R9 200 / by 84%.

4

6.3.1 **Vusi is thinking of purchasing the business premises rather than renting it. State ONE advantage and ONE disadvantage of this option.**

Advantage ✓✓ part-mark for unclear / incomplete answer

- Will not have to pay rent in future.
- Business will acquire a fixed asset. This increases the value of the business.
- Extra space can be rented out to receive additional income.

Disadvantage ✓✓ part-mark for unclear / incomplete answer

- Rates on property must be paid.
- Additional maintenance costs will be incurred.
- Large initial cash outlay or an additional monthly instalment, including interest.
- Not easy to relocate quickly
- Costs and time involved in selling a building.

4

6.3.2 **Vusi offers a free delivery service of spare parts to customers, but plans to discontinue this service on 31 March 2018.**

State TWO points to support this decision.

Any TWO relevant points: ✓✓ ✓✓ part-marks for unclear / incomplete answer

- 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 sale of spare parts is considerably lower than the fee income for the repair service.

4

6.3.3 **Calculate the cost of the new vehicle that he plans to purchase on 1 April 2018.**

$$\frac{9\,000 \checkmark \times 12 \checkmark}{0,15 \checkmark \text{ or } 15\%} = R720\,000 \checkmark \text{ one part correct}$$

4

ACTIVITY 3

FEB/MARCH 2016, QUESTION 6

6.1 KOBUS HARDWARE

6.1.1 Calculate the missing amounts indicated by (a) to (e) in the Cash Budget for March and April 2016.

	Calculation	Amount
(a)	$28\,000 \checkmark \div 7\% \checkmark \times 60 \checkmark$ One part correct	240 000 <input checked="" type="checkbox"/>
(b)	$R28\,250 \checkmark \times 90/10 \checkmark$ One part correct	R254 250 <input checked="" type="checkbox"/>
(c)	$6000 \checkmark \checkmark$ $(3\,000 \times 2) \times 105,5\% \checkmark$ One part correct	6 330 <input checked="" type="checkbox"/>
(d)	$180\,000 \div 24$	R7 500 <input checked="" type="checkbox"/> <input checked="" type="checkbox"/>
(e)	$180\,000 \checkmark \times 10,5\% \checkmark \times 1/12 \checkmark$ One part correct	R1 575 <input checked="" type="checkbox"/>

17

6.1.2 Complete the Debtors' Collection Schedule.

	CREDIT SALES	MARCH	APRIL
FEBRUARY	152 000 <input checked="" type="checkbox"/> <input checked="" type="checkbox"/>	76 000	
MARCH	160 000 <input checked="" type="checkbox"/> <input checked="" type="checkbox"/> 6.1 ÷ 60 x 40	68 400	80 000 <input checked="" type="checkbox"/> 50% of March credit sales
APRIL	158 400	158 400 x 45% x 95%	67 716 <input checked="" type="checkbox"/> <input checked="" type="checkbox"/>
		144 400	147 716 <input checked="" type="checkbox"/> operation

8

6.1.3 Calculate the percentage increase in sundry expenses.

$$\frac{2\,190 \checkmark \checkmark}{87\,600 \checkmark} = \frac{(89\,790 - 87\,600)}{87\,600} = 2,5\% \checkmark \text{ One part correct}$$

4

6.1.4 The Cash Budget for March and April 2016 indicates that this business will face serious financial difficulties. Identify TWO items to support this statement. Quote relevant figures.

Item ✓ ✓ Figures ✓ ✓

- The overdraft in March is R75 300 and April is R44 900. (This exceeds the overdraft limit of R40 000 as approved by bank.)
- The business is going to acquire a loan of R180 000 in April 2016.

4

6.1.5 Explain why each of the items reflects a problem for the business and advise Kobus regarding each case.

Item	Explanation
Collection from debtors	Any two valid reasons ✓ ✓ Alternative valid answers acceptable <ul style="list-style-type: none"> • Collections are much lower than expected. • This will cause a cash flow problem. • Internal control of debtors is poor.
Payments to creditors	Any two valid reasons ✓ ✓ Alternative valid answers acceptable <ul style="list-style-type: none"> • These are a lot lower than they should have been. • Suppliers will stop selling to the business. • Interest can be charged by the creditors. • Poor credit rating for the business.
Insurance	Any two valid reasons ✓ ✓ Alternative valid answers acceptable <ul style="list-style-type: none"> • The policy will lapse (risk of being uninsured). • It will be difficult to replace assets. • There could be an increase in premiums in future.
Drawings	Any two valid reasons ✓ ✓ Alternative valid answers acceptable <ul style="list-style-type: none"> • This puts strain on meeting more important business expenses. • This creates a further cash flow problem. • It is not ethical for the owner to draw more money while the business is struggling. (Increased loans, overdraft)

(4 x 2)

8

6.2 MANAGEMENT OF FIXED ASSETS

Identify ONE problem regarding each vehicle/driver. Quote figures to support your answers. Give Kobus ONE point of advice for EACH problem identified.

	Problem with figures Problem ✓ ✓ ✓ Figures ✓ ✓ ✓	Advice ✓ ✓ ✓
Vehicle 1 (Leroy)	Leroy was absent for 8 days./ He is the highest paid driver, R8 000 where other drivers earn R5 000.	Investigate the reason for his absence./Only pay for the number of days at work.
Vehicle 2 (Fred)	Fred is travelling too many kilometres (4 600 km for 80 trips = 58 km per trip) which is higher than the maximum of 40 km per customer./He is travelling more km than Bheki (4 200 compared to 2 800 km) but doing fewer trips (70 compared to 110).	Possible disciplinary action against Fred for unauthorised use of vehicle./Improve internal control over the use of the vehicles.
Vehicle 3 (Bheki)	Bheki is doing the most number of trips (120) but his vehicle is the oldest and the most expensive to run (R0,81 per km).	Consider replacing this vehicle as it is expensive to maintain.

9

TOTAL MARKS

50

ACTIVITY 4

FEB/MARCH 2015, QUESTION 6

6.1 Explain the importance of comparing budgeted figures with actual figures achieved for the same period.

One valid explanation ✓✓

Deviations can be determined and remedial measures will be put in place
Establish whether the budgeting was realistic
To identify trends of mismanagement of cash

2

6.2 Calculate the missing amounts (indicated by a, b and c) in the Debtors' Collection Schedule for the budgeted period March to May 2015.

a	6 048 ✓✓
b	5 320 ✓
c	15 750 ✓

4

6.3 6.3.1 Calculate the budgeted total sales for March 2015.

$$10\,500 \times 100/20 = 52\,500 \checkmark\checkmark$$

2

6.3.2 Calculate the amount budgeted for payments to creditors during May 2015.

$$40\,000$$

$$70\,000 \checkmark \times 100/175 \checkmark \times 70\% \checkmark = 28\,000 \checkmark \text{ any one part correct}$$

or

$$12\,000/30 \times 70 = 28\,000$$

4

6.3.3 Calculate the budgeted salaries of the shop assistants for April 2015.

$$102\,000/12 = 8\,500$$

$$8\,500 \times 3 = 25\,500$$

$$15\,300 \times 9 = 137\,700$$

$$25\,500 \checkmark + 137\,700 \checkmark = 163\,200 \checkmark \text{ any one part correct}$$

3



6.3.4

Calculate the % increase in the salary of the manager expected in May 2015.

$$\frac{3\,200 \text{ (1 mark)}}{(19\,200 - 16\,000) \checkmark / 16\,000 \checkmark} = 20\% \checkmark \text{ any one part correct}$$

3

6.3.5

Calculate the amount of the additional loan expected to be acquired on 1 April 2015.

$$875 \checkmark \times (100 \times 12) / 14 \checkmark = 75\,000 \checkmark \text{ any one part correct}$$

3

6.4

An official of the local municipality has offered to recommend Brakpan Stationers to supply stationery to the value of R500 000. However, he will only do this if Vukile pays him R20 000 in cash.

Give Vukile advice in this regard. State TWO points.

Any two suggestions ✓✓ ✓✓

- This is actually a bribe which is unethical.
- If this information is made public, it will have a negative effect on the business in the future.
- Vukile must tender formally to the municipality to secure the contract through the normal processes.

4



6.5 Identify THREE over-payments in April. Provide figures to support your answer. Provide a valid reason for each over-payment to support Vukile's decisions.

	Over-payment with figures	Valid reason
	Item and figure ✓ ✓ ✓	✓ ✓ ✓
1	The bonus of the manager in February 2015 (R24 000) was not taken into account.	He has retained the services of a valuable employee
2	Purchase of vehicle (R180 000)	The difference between motor vehicle expenses and delivery expenses is R5 200 per month
3	Cash purchase of merchandise (R28 000) was significantly higher than the budgeted figure (R12 000)	Possibly to take advantage of bulk discounts on purchases

6

Explain how this difference of opinion with his wife can be avoided in future.

As they are jointly running the business they should have a specific meeting to determine the budget jointly and Vukile should consult his wife before spending on unbudgeted items. ✓✓

2

State TWO other strategies that Vukile and his wife could consider in future to improve the results of the business.

Any two valid points: ✓ ✓

- Advertise monthly.
- Reduce number of shop assistants.
- Reinstate deliveries to customers.
- Negotiate longer credit terms with creditors.

2

TOTAL MARKS
35

