



basic education

Department:
Basic Education
REPUBLIC OF SOUTH AFRICA

NATIONAL SENIOR CERTIFICATE

GRADE 12

ACCOUNTING

NOVEMBER 2018

MARKING GUIDELINES

MARKS: 300

MARKING PRINCIPLES:

1. Unless otherwise stated in the marking guideline, penalties for foreign items are applied only if the candidate is not losing marks elsewhere in the question for that item (no penalty for misplaced item). No double penalty applied.
2. Penalties for placement or poor presentation (e.g. details) are applied only if the candidate is earning marks on the figures for that item.
3. Full marks for correct answer. If answer incorrect, mark the workings provided.
4. If a pre-adjustment figure is shown as a final figure, allocate the part-mark for the working for that figure (not the method mark for the answer). Note: if figures are stipulated in memo for components of workings, these do not carry the method mark for final answer as well.
5. Unless otherwise indicated, the positive or negative effect of any figure must be considered to award the mark. If no + or – sign or bracket is provided, assume that the figure is positive.
6. Where indicated, part-marks may be awarded to differentiate between differing qualities of answers from candidates.
7. This memorandum is not for public distribution; as certain items might imply incorrect treatment. The adjustments made are due to nuances in certain questions.
8. Where penalties are applied, the marks for that section of the question cannot be a final negative.
9. Where method marks are awarded for operation, the marker must inspect the reasonableness of the answer and at least one part must be correct before awarding the mark.
10. Operation means 'check operation'. 'One part correct' means operation and one part correct. Note: check operation must be +, -, x, ÷, or per candidate's response.
11. In calculations, do not award marks for workings if numerator & denominator are swapped – this also applies to ratios.
12. In awarding method marks, ensure that candidates do not get full marks for any item that is incorrect at least in part. Indicate with a ☒.
13. Be aware of candidates who provide valid alternatives beyond the marking guideline.
14. Codes: f = foreign item; p = placement/presentation.

These marking guidelines consist of 17 pages.

QUESTION 1**1.1**

1.1.1	False	✓	
1.1.2	True	✓	
1.1.3	True	✓	Accept recognizable abbreviations e.g. T or F

3

1.2 KRIGE SHIRTS**1.2.1****Calculate direct labour cost.**

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

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

12

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

1.3 GEMMA'S MANUFACTURERS**1.3.1 Calculate the break-even point for the year ended 31 August 2018.**

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

= 356,9 OR 357 units ☒ one part correct

5

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

Part-marks for partial answers

Compulsory response:

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

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

OR:

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

Other optional responses:

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

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

6

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

REASONS:

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

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

Wastage due to poor workmanship.

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

VAT increased to 15%

Change in exchange rate (if raw materials imported)

Changed suppliers (more expensive) / Better quality raw materials

SUGGESTION:

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

Look for cheaper suppliers without compromising quality.

Negotiate transport and delivery discounts.

Take advantage of bulk discounts.

Recycle waste material / use off-cuts

Train and supervise workers to minimise wastage.

Control stock regularly to identify shortages.

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

5

TOTAL MARKS

40

QUESTION 2**2.1 VAT****2.1.1**

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

10

2.1.2

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

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

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

Expected responses for two marks:

Be aware of two points within one explanation

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

4

2.2 CREDITORS' RECONCILIATION**2.2.1**

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

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

13

2.2.2 The internal auditor insists that direct payments (EFTs) must be used to pay suppliers.**Explain ONE reason to support his decision.**

ONE reason ✓✓

part-marks for partial / incomplete answers

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

2

Explain ONE internal procedure to ensure control over this system.

ONE internal control measure ✓✓

part-marks for partial / incomplete answers

For two marks:

Senior personnel authorized to make internet payments

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

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

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

For one mark: Division of duties

2

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

ONE valid point ✓✓

Part-marks for partial or unclear answer

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

Provide ONE suggestion to prevent this problem in future.

ONE valid suggestion ✓✓

Part-marks for partial or unclear answer

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

4

TOTAL MARKS

35

QUESTION 3

3.1

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

4

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

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

28

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

*one part correct

3.2.2 ORDINARY SHARE CAPITAL**AUTHORISED SHARE CAPITAL****1 600 000 ordinary shares****ISSUED SHARE CAPITAL**

If no brackets, check operation

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

7

RETAINED INCOME

If no brackets, check operation

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

3.2.3 EQUITY AND LIABILITIES SECTION OF THE BALANCE SHEET

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

16

* one part correct

3.3 AUDIT REPORT**3.3.1**

- Point 1** **Opinion** ONE valid point ✓
The auditors found no problem to report / unqualified report / statistical sampling used / met the required standard 1
- Point 2** **IFRS and Companies Act** ONE valid point ✓✓ **Part-mark for partial answer**
For two marks: **Must cover local & global points**
Companies operate in local and international contexts / may have local and international shareholders / compliance with national and international laws and standards / companies may operate on a global market and engages in international trade and locally / shareholders (investors) may come from all parts of the world / readers in any this country and other countries can understand how financial statements are prepared or presented
For one mark: **Partial / incomplete answer**
Comply with standards or laws / must comply with South African Companies Act / must comply with international standards 2
- Point 3** **Independent** ONE valid point ✓✓ **Part-mark for partial answer**
Their opinion is unbiased / they have no personal interest in the company / No conflict of interest / They are authentic. They have high international standards of professionalism to maintain / They have a code of conduct. 2

3.3.2

- Point 4** **TWO examples of ethical responsibilities:**
Any TWO valid examples ✓✓ ✓✓ **Part-mark for partial answer**
No colluding with management to overlook any material matter.
No accepting bribes or engaging in corruption.
Care taken in completing the audit and expressing the opinion.
The readers can rely on the information in the financial statement.
Being honest in their duties / have integrity / truthfulness / unbiased.
Complying with King Code or GAAP / Keep up to date with new requirements. 4
- Point 5** **TWO examples of audit evidence:**
Any TWO valid example ✓✓ ✓✓ **Part-mark for partial answer**
Check the internal controls and the efficiency of the internal audit.
Source documents (provided by external organisations, provide verification)
Records such as asset registers, stock records etc.
Policies and procedures of the company
Report of an audit committee which assess the internal and external audit processes / Internal auditors report on ensuring internal controls are efficient) 4

TOTAL MARKS**75**

KEEP THIS PAGE BLANK.

QUESTION 4**4.1 CALCULATION OF FINANCIAL INDICATORS FOR 2018****4.1.1 Calculate: % operating expenses on sales**

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

2

4.1.2 Calculate: Acid test ratio

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

4

4.1.3 Calculate: % return on shareholders' equity

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

4

4.2 FIGURES FOR 2018 CASH FLOW STATEMENT

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

4.2.1 Calculate: Change in investments

Workings	Answer
	25 000 ✓✓

2

4.2.2 Calculate: Income tax paid

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

4

4.2.3 Calculate: Fixed assets sold (at carrying value)

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

5

4.3 EXPLANATIONS ON CASH FLOW STATEMENT**4.3.1**

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

ONE valid point ✓✓ relevant figure/s ✓

Part-marks for partial or unclear answers

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

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

OR

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

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

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

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

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

4.3.2

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

	Points (with figures)
Decision 1 (with figures)	✓ Issued shares (rights issue): R4m✓
Decision 2 (with figures)	✓ Sale of fixed assets R305 000✓ see 4.2.3
Decision 3 (with figures)	✓ Cash generated from operations; part of R1,85m ✓ / increase of R804 000
Any other valid point e.g.	• Items that may influence cash generated from operations R3,32m • Increase in sales R5,4m / due to lower mark-up 72% to 58% • Tax not paid R74 000 • Better collection from debtors (820 000 – 365 000)

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

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

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

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

TWO relevant financial indicators ✓ ✓ figures and trend ✓ ✓

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

4.3.3

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

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

4.4 DIVIDENDS, RETURNS AND SHAREHOLDING**4.4.1****Calculate: Total interim dividends paid for the 2018 financial year**

Workings	Answer
$\begin{array}{ccc} \checkmark & & \checkmark \\ 520\,000 & - & 280\,000 \end{array}$	☒ R240 000 one part correct

Calculate: Interim dividends per share for the 2018 financial year

Workings	Answer
$\frac{\text{see above } 240\,000 \checkmark}{800\,000 \checkmark} \times 100$	30 cents ☒ one part correct accept 30 or R0,30

6

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

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

5

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

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

3

4.5.1

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

✓✓ Any valid explanation e.g.

Part-marks for unclear / incomplete answers

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

2

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

Identify positive effect ✓ Figures ✓✓ one mark for figure without implied comparison
comparison may be implied by the figures for two marks

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

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

3

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

Identify positive effect ✓ Figures ✓✓ one mark for figure without implied comparison
comparison may be implied by the figures for two marks

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

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

3

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

Advice on what to say on earnings per share:

Explanation/trend ✓ Figures ✓✓ comparison may be implied by the figures for two marks
one mark for figure without implied comparison

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

3

Advice on what to say on % return earned:

Explanation/trend ✓ Figures ✓✓ one mark for figure without implied comparison
comparison may be implied by the figures for two marks

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

3

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

Explanation/trend ✓ Figures ✓✓ one mark for figure without implied comparison
comparison may be implied by the figures for two marks

Market price increased R21,00 → R28,00

Exceeds NAV R8,99 → R12,11

3

TOTAL MARKS

70

QUESTION 5

5.1

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

4

5.2 PACKER'S SUITCASE SHOP

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

	one mark	one mark	
425 ✓ x R3 040 ✓	1 368 000	– 76 000	R 1 292 000
450 – 25			
71 ☒ x R2 930 ✓			R 208 030
496 – 425 or units above			
			<u>R 1 500 030 ☒</u> one part correct

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 units
✓ ✓ ✓ ✓ ☒ one part correct
–420 – 3 130 + 3 050 + 496 = –4 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.

1 500 030 ☒ see 5.2.1 x 365 (or 12) ✓
913 500 ✓ + 8 384 850 ✓ – 1 500 030 ☒ 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 + 2 616 600 + 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
496 x 12 = 1,95 months OR 496 x 365 = 59,4 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

5.3 MINDEW LIMITED

5.3.1	WORKINGS	ANSWER
(i)	(1)	610 000 ✓
(ii)	13 000 – 3 (2)	12 997 ✓✓ One mark for: R12 999 or R13 000
(iii)	New: 172 500 ✓ x 10% x 4/12 ✓ = 5 750 ✓ Old: 1 250 000 x 10% = 125 000 ✓ OR: $\begin{matrix} 83\,333 & & 47\,417 \\ (1\,250\,000 \times 10\% \times \frac{8}{12}) + (1\,422\,500 \times 10\% \times \frac{4}{12}) \\ \text{one mark} & \text{one mark} & \text{one mark} & \text{one mark} \end{matrix}$ (5)	130 750 ✓ one part correct
(iv)	$176\,000 \checkmark - (128\,000 \checkmark + 5\,600 \checkmark \checkmark)$ (48 000 x 20% x 7/12) one part correct 133 600 three marks (5)	42 400 ✓ one part correct
(v)	$800\,000 \checkmark + 256\,000 \checkmark - 133\,600 \checkmark \text{ see above}$ (128 000 + 5 600) both (4)	922 400 ✓ one part correct

17

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

Any ONE point ✓✓

Part-marks for unclear / incomplete answers

- Conduct physical inspection (regular and random)
- Compare to fixed asset register

2

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

ONE valid point ✓✓

Part-marks for unclear / incomplete answers

- GAAP prescribes the historical (original) cost principle when recording assets and only recognising profits and/or losses on disposal (i.e. prudence).
- IFRS provides for revaluation (fair value) provided that this estimate can be measured reliably (evidence).
- Essentially, financial statements must not be overstated to create a false impression on profitability
- There could be tax implications.

2

TOTAL MARKS**45**

QUESTION 6**6.1 Debtors' Collection Schedule for October 2018.**

MONTHS	CREDIT SALES	SEP. 2018	OCT. 2018
July	369 600	81 312	
August	384 400	211 420	84 568 ✓✓
September	403 200	76 608	221 760 ✓✓
October	420 000		79 800 ✓✓
		369 340	386 128 ☒ *

7

*one part correct

6.2 Calculate:**(i) Cash sales for September**

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

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

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

(ii) Rent income for October

$$25\,600 \times 109\% = 27\,904 \quad \checkmark \quad \checkmark \text{ one part correct; must increase}$$

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

(iii) Payments to creditors in October

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

576 000 two marks

9

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

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

3

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

Explanation ✓✓

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

OR

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

2

6.4 Refer to Information E:**6.4.1 Explain the effect of the new competitor on any TWO items in the budget for September. Provide figures.**

TWO valid points ✓ ✓ figures ✓ ✓

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

4

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

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

Do not accept advertising (no change)

6

6.4.3 Explain why Donald feels that his decisions were successful. Provide TWO points (with figures).TWO valid points (with figures) ✓✓ ✓✓ **Be aware of two points within one explanation**

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

4

TOTAL MARKS**35****TOTAL: 300**