



basic education

Department:
Basic Education
REPUBLIC OF SOUTH AFRICA

NATIONAL SENIOR CERTIFICATE

GRADE 12

ACCOUNTING

FEBRUARY/MARCH 2015

MEMORANDUM

MARKS: 300

MARKING PRINCIPLES:

1. 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. Full marks for correct answer. If answer incorrect, mark the workings provided.
3. 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).
4. 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.
5. Where indicated, part-marks may be awarded to differentiate between differing qualities of answers from candidates.
6. This memorandum is not for public distribution, as certain items might imply incorrect treatment. The adjustments made are due to nuances in certain questions.
7. Where penalties are applied, the marks for that section of the question cannot be a final negative.
8. Where method marks are awarded for operation, the marker must inspect the reasonableness of the answer before awarding the mark.
9. In awarding method marks, ensure that candidates do not get full marks for any item that is incorrect at least in part.
10. Codes: f = foreign item; p = placement/presentation.

This memorandum consists of 17 pages.

QUESTION 1**1.1 CONCEPTS**

1.1.1	Bank overdraft	✓
1.1.2	Dishonoured cheque	✓
1.1.3	Debit order	✓
1.1.4	Stale cheque	✓

4

1.2 BANK RECONCILIATION**1.2.1 Explain how this loss of R24 000 would be treated in the books.**

Any ONE valid response ✓✓

Expected responses:

- Enter in CPJ and describe as loss due to theft.
- Apply rule of prudence to reduce Bank and to record a loss.

Explain how Roy can prevent a loss of this nature in the future. Provide TWO points.

Any TWO valid responses ✓✓

Expected responses:

- Insist that all cash collected is deposited into the Bank daily.
- Division of duties where one person collects cash and another deposits the cash.
- Check documentation on a daily basis; receipts must equal deposits.

4

1.2.2 Calculate the correct bank account balance on 31 October 2014.

16 160 ✓ – 2 710 ✓ – 1 650 ✓ + 450 ✓ - 24 000 ✓
 = overdraft of 11 750 one part correct

6

1.2.3 Give a suitable reason for the entry from the Bank Reconciliation Statement of the amount incorrectly debited, R2 500.

Any suitable reason ✓✓

Possible reasons:

- The bank had in error shown a cheque of another client in the current banking account of the business.
- The bank duplicated an entry (example bank charges, debit order) on the debit side of the bank statement.

2

1.2.4 The office assistant of Manto Traders takes money from the cash register to make payments for business expenses.

Explain why this is bad accounting practice.

Any valid explanation ✓✓

Expected responses:

- All cash must be deposited intact to ensure that internal control is not compromised.
- This will lead to abuse and the possibility of fraud because there will be no authorisation or documentation.

Provide ONE point of advice to Roy.

Any ONE valid point ✓✓

Expected responses:

- Stop this practice immediately and use the petty-cash system for daily expenses.

4

1.3 CREDITORS' RECONCILIATION

**1.3.1 CREDITORS' LEDGER OF NKOMAZI TRADERS
MALELANE SUPPLIERS (CL7)**

Balance per Ledger Account	47 064
Error corrected on Invoice 346	✓✓ – 1 512
Adjustment of discount on C207	✓✓ 1000
Correction of error on Invoice 135	✓✓ 6 929
Interest	✓ 29
one part correct	<input checked="" type="checkbox"/> 39 652

8

**1.3.2 CREDITOR'S RECONCILIATION STATEMENT ON
30 SEPTEMBER 2014**

Balance as per Creditor's Statement	40 271
Credit note incorrectly recorded (816 x 2)	(1 632) ✓✓
Discount not yet recorded	(2 532) ✓✓
Trade discount omitted	(981) ✓
Invoice issued after statement date	4 526 ✓
Balance as per Creditors Ledger one part correct	39 652 <input checked="" type="checkbox"/>

7

TOTAL MARKS
35

QUESTION 2

2.1 Calculate the value of the closing stock of 145 television sets on 28 February 2015 using the FIFO method.

$$\begin{array}{l} \checkmark\checkmark \quad \checkmark\checkmark \quad \checkmark\checkmark \\ R411\,750 + (55 \times R4\,875) \\ = R679\,875 \quad \checkmark \quad \text{one part correct} \end{array}$$

7

2.2 Calculate the cost of sales.

$$\begin{array}{l} R385\,000 + R1\,765\,500 - R14\,625 - R679\,875 = R1\,456\,000 \\ \checkmark \quad \checkmark \quad \checkmark\checkmark \quad \checkmark \quad \checkmark \\ \text{see 2.1.1} \quad \text{one part correct} \end{array}$$

6

Calculate the average mark-up % achieved for the year.

$$\begin{array}{l} R847\,800 \div R1\,456\,000 \times 100 = 58,2\% \\ \checkmark\checkmark \quad \checkmark \quad \text{see above} \quad \checkmark \quad \text{one part correct} \end{array}$$

4

2.3 Provide a calculation to prove whether the information given by the cleaner is true or not.

$$\begin{array}{l} \checkmark \quad \checkmark \quad \checkmark \quad \checkmark \\ 70 + 360 - 3 - 276 = 151 \\ \text{On hand} \quad \quad \quad = 145 \checkmark \\ \text{Missing} \quad \quad \quad = 6 \checkmark \end{array}$$

6

2.4 Jane is concerned that the final stock of 145 television sets is not appropriate for her business. Provide a calculation or figures to support her opinion and explain.

Calculation/Figures:

Any valid figures: ✓✓

$$\frac{145 \times 365}{276} = 192 \text{ days}$$

OR

$$\frac{679\,875}{1\,456\,000} \times 365 = 170 \text{ days}$$

OR

Compare stock on hand (145 units) to total sales (276 units)

Explanation: ✓✓

- Not appropriate as stock will last at least 6 months

4

2.5 Comment on whether or not Jane's strategy of adjusting the selling prices has benefitted the business. Provide figures to support your answer.

Excellent answer = 4 marks; Good = 3; Average = 2; Poor = 1; Incorrect = 0

Expected response: ✓✓✓✓

The strategy was successful in December but Jane then increased the selling price significantly in January. She has not reduced the selling prices when cost prices decreased. Her competitors will probably decrease prices when possible to increase their market share.

4

2.6 Provide TWO points to assist Jane in improving internal control in her business.

Any TWO points ✓✓ ✓✓

Possible responses:

- Regular stock counts to check that no stock goes missing.
- Division of duties to check that all sales are recorded properly and that stock purchased is properly secured.
- Reconsider pricing policy to reduce stock to acceptable levels.

4

TOTAL MARKS
35

QUESTION 3

3.1

Choose a description from COLUMN B that matches a term/concept in COLUMN A. Write only the letter (A–E) next to the question number (3.1.1–3.1.5).

3.1.1	B	✓
3.1.2	E	✓
3.1.3	A	✓
3.1.4	C	✓
3.1.5	D	✓

5

3.2.1 **ORDINARY SHARE CAPITAL**

850 000 ✓ ordinary shares in issue at beginning of year	5 737 500 ✓
150 000 shares repurchased during the year (150 000 ✓ x R6,75 ✓)	(1 012 500) ✓
700 000 ✓ ordinary shares in issue at end of year operation, one part correct	4 725 000 <input checked="" type="checkbox"/>

7

RETAINED INCOME

Balance on 1 July 2013	181 900 ✓
Net profit after income tax	813 600 ✓
Shares repurchased (150 000 ✓ x 0,65 ✓)	(97 500) ✓
Ordinary share dividends operation, one part correct	(595 000) <input checked="" type="checkbox"/>
Interim (paid)	315 000 ✓
Final (recommended) (700 000 x 40 cents)	280 000 ✓✓
Balance on 30 June 2014 operation, one part correct	303 000 <input checked="" type="checkbox"/>

10

TRADE AND OTHER RECEIVABLES

Net trade debtors (118 370 ✓ – 6 100 ✓ + 11 700 ✓)	123 970 ✓
SARS: Income tax (320 900 ✓ – 316 400 ✓) (813 600 x ²⁸ / ₇₂)	4 500 ✓
Prepaid expenses	12 430 ✓✓
TOTAL operation, one part correct	140 900 <input checked="" type="checkbox"/>

10

3.2.2 BARGAIN TRADERS LTD BALANCE SHEET ON 30 JUNE 2014

ASSETS				
NON-CURRENT ASSETS	operation		4 985 600	✓
Fixed/Tangible Assets	balancing figure		4 865 600	✓
Fixed deposit		3	120 000	✓
CURRENT ASSETS			890 300	✓
Inventory (355 700 ✓ + 9 500 ✓)			365 200	✓
Trade and other receivables	see 3.2		140 900	✓
Cash and cash equivalents (351 200 ✓ + 33 000 ✓)			384 200	✓
TOTAL ASSETS	see Total Equity and Liabilities	9	5 875 900	✓
EQUITY AND LIABILITIES				
SHAREHOLDERS' EQUITY			5 028 000	✓
Ordinary share capital	see 3.2		4 725 000	✓
Retained income	see 3.2	3	303 000	✓
NON-CURRENT LIABILITIES			227 800	
Loan: Drake Bank (295 000 ✓ + 31 200 ✓ – 98 400 ✓✓)	one part correct	5	227 800	✓
CURRENT LIABILITIES			620 100	✓
Trade and other payables (197 000 ✓ + 11 700 ✓ + 33 000 ✓)			241 700	✓
Shareholders for dividends	see 3.2		280 000	✓
Current portion of loan			98 400	✓
TOTAL EQUITY AND LIABILITIES	operation	8	5 875 900	✓

28

3.2.3 Calculate the net asset value (NAV) on 30 June 2014.

$5\,028\,000 \checkmark \div 700\,000 \checkmark = 718,3 \text{ cents } \checkmark$ operation one part correct

3

3.2.4 Comment on the price offered for the shares that were repurchased. Quote relevant financial indicators (actual figures/ratios/ percentages) to support your comment.

Good answer with figures = 3; Satisfactory = 2; Weak = 1; Incorrect = 0 ✓✓✓

Shares were repurchased for R7,40 each.
 The NAV on 30 June 2014 was 718 cents (696 cents in 2013).
 An upward trend
 The market price at the time was R9,25. Indication that investors are interested in the company.
 The price offered was conservative. The company benefitted from this transaction. (But shareholders who left might not be satisfied.)

3

3.2.5 Calculate Kyle Mason's percentage shareholding after the proposed share buy-back on 31 August 2014.

$$\frac{315\,000 \checkmark}{610\,000 \checkmark} \times \frac{100}{1} = 51,6\% \checkmark$$
 one part correct
(700 000 – 90 000)

3

As another shareholder, discuss your concern regarding the proposed repurchase of shares. Give TWO questions you would ask the directors at the annual general meeting.

Concern: ✓✓

Any comment explaining the shift to major shareholder

Kyle Mason will own more than 50% of the company. (He has deliberately influences this.)

He can entrench himself as CEO for a longer period. The % shareholding has had a major effect on control.

Questions: (Any TWO) ✓✓ ✓✓

- Were the other directors aware of the strategy of Mason?
- Why is it necessary to reduce the capital of the company?
- The company is shrinking, is this intentional?
- Why do this so soon after an earlier reduction in capital?
- At what price will these shares be bought back?
- How will this affect liquidity (current ratio is relatively low)?

6

TOTAL MARKS
75

QUESTION 4

4.1 What is the main purpose of a Cash Flow Statement?

Good answer = 2; Average = 1; Incorrect = 0 ✓✓

It provides users of financial statements with information on the inflow and outflow of the cash resources of the company

To see how monies were generated or spent and what the cash flow position is.

To account for the difference in opening and closing bank balances

2

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
d	157 500 + 48 000 -55 000 OR 258 000 – 108 000	150 000

✓✓

✓✓

✓✓ one part correct

✓✓

9

**4.3 CLASSICO LTD
CASH FLOW STATEMENT FOR THE YEAR ENDED 31 OCTOBER 2014**

NOTE: Ticks in final column are for operation AND correct use of brackets/no brackets.

CASH FLOW FROM OPERATING ACTIVITIES <i>one part correct</i>	625 000	<input checked="" type="checkbox"/>
Cash generated from operations	1 985 500	
Interest paid	(175 500)	
Taxation paid (27 500✓ + 375 000✓ + 22 500✓) <i>one part correct</i>	(425 000)	<input checked="" type="checkbox"/>
Dividends paid (385 000✓ + 825 000✓ – 450 000✓) <i>one part correct</i>	(760 000)	<input checked="" type="checkbox"/>
9		
CASH FLOW FROM INVESTING ACTIVITIES <i>one part correct</i>	534 000	<input checked="" type="checkbox"/>
Fixed assets purchased	(48 000)	✓
Proceeds from sale of fixed assets (500 000✓ + 82 000 <input checked="" type="checkbox"/> see 4.1.2 c) <i>one part correct</i>	582 000	<input checked="" type="checkbox"/>
5		
CASH FLOW FROM FINANCING ACTIVITIES <i>one part correct</i>	925 000	<input checked="" type="checkbox"/>
Proceeds from the sale of shares	300 000	✓✓
Change in loan (2 000 000 ✓ - 1 375 000 ✓) <i>one part correct</i>	625 000	<input checked="" type="checkbox"/>
6		
NET CHANGE IN CASH AND CASH EQUIVALENTS <i>check operation</i>	2 084 000	<input checked="" type="checkbox"/>
CASH AND CASH EQUIVALENTS AT BEGINNING	207 500	✓
CASH AND CASH EQUIVALENTS AT END	2 291 500	✓
4		

24

4.4

Decisions by directors	Reason to support John's opinion	Reason to support directors' decision (other than improving cash flow)
Issued more shares	Dilutes the returns to existing shareholders ✓✓	Cheaper option of raising funds as loans carry interest ✓✓
Sold fixed assets	Prevents the company from benefiting through capital gains ✓✓	Unproductive or unused assets will incur maintenance expenses. ✓✓

8

4.5

Calculate the acid-test ratio.

$$\frac{(1\,075\,000 \checkmark + 2\,291\,500 \checkmark)}{3\,366\,500} : 1\,450\,000 \checkmark$$

$$= 2,3 : 1 \checkmark \text{ or } 2,32 : 1 \text{ one part correct}$$

4

Calculate the earnings per share.

$$\frac{975\,000 \checkmark}{750\,000 \checkmark} \times 100c$$

$$= 130 \text{ cents } \checkmark \text{ one part correct}$$

3

Calculate the return on average shareholders' equity.

$$\frac{975\,000 \checkmark}{\frac{1}{2} \checkmark (4\,450\,000 \checkmark + 4\,000\,000 \checkmark)} \times \frac{100}{1}$$

$$= 23,1\% \checkmark \text{ or } 23,08\% \text{ or } 23,07\% \text{ or } 23\% \text{ one part correct}$$

5

Calculate the debt-equity ratio.

$$2\,000\,000 \checkmark : 4\,450\,000 \checkmark$$

$$= 0,4 : 1 \checkmark \text{ (or } 0,5:1) \text{ one part correct}$$

3

4.6 The directors proposed to expand the business operations in the new financial year. One of the directors suggested that they finance the expansions by taking a loan of R1 000 000, instead of issuing new shares to the public. Quote and explain TWO financial indicators to support his opinion.

Financial indicator	✓	✓
Trend	✓	✓
Explanation	✓	✓

Debt/Equity ratio

- It has increased from 0,34: 1 to 0,45:1.
- Company still has a low financial risk.

Return on average capital employed

- It has increased from 18% to 26%
- Company is positively geared as it exceeds the rate of borrowing which currently is 12%.

6

4.7

4.7.1 Calculate the amount of dividends Bongani would earn for the financial year ending 31 October 2014.

32 000 ✓ x 110 cents ✓ = R35 200 ✓ one part correct
(R1,10)

3

4.7.2 Should Bongani be satisfied with the dividend policy of Classico Limited? Quote and explain relevant financial indicators to support your answer.

Yes/No ✓

Indicator	✓
Figures	✓
Explanation	✓

Explanation for yes:

EPS was 130 cents and DPS was 110 cents.
(110/130 x 100) 85% of earnings given to shareholders, compared to (75/94 x 100) 80% given in the previous financial year.
The dividends have increased from 75 cents to 110 cents

Explanation for no:

EPS was 130 cents and DPS was 110 cents.
(110/130 x 100) 85% of earnings given to shareholders, compared to (75/94 x 100) 80% given in the previous financial year.
More is being paid out on dividends and less is being retained for future expansion.

4

4.7.3

Bongani wants to sell his shares in Classico Ltd and invest his funds in an alternative investment. You disagree with him. Quote and explain ONE relevant financial indicator, other than dividends, to discourage him from selling his shares. Your answer must include the actual figure/ratio/percentage.

ROSHE is 23,1% see 4.1.5

Greater than the return on fixed deposits, 5,5%. ✓

Strong performance of the company may continue in the future to offer greater returns to Bongani. ✓✓

OR

The value of his share has increased from R4,75 (475 cents) to R9,50 (950 cents). (two marks)

This is a capital growth of 100% in just three years. His investment in the company has increased from R152 000 (32 000 x R4,75) to R304 000. Such high returns will not be earned on outside investments. (two marks)

4

TOTAL MARKS
75

QUESTION 5**5.1 PRINCESS BIN FACTORY****5.1.1 PRODUCTION COST STATEMENT FOR THE YEAR ENDED 28 FEBRUARY 2015**

Raw/Direct material cost	check operation	742 500	✓
Direct labour cost	452 000 ✓ + 114 000 ✓✓ one part correct	566 000	✓
Prime cost		1 308 500	✓
Factory overhead cost	one part correct (256 270 ✓ + 75 030 (rent) ✓✓ - 4 500 ✓)	326 800	✓
Total manufacturing cost	check operation	1 635 300	✓
Work in process (1 March 2013)		58 500	✓
		1 693 800	
Work in process (28 Feb 2014)	check operation must be subtracted	(66 300)	✓
Cost of production of finished goods		1 627 500	✓✓

46 500 x R35

16

5.1.2 INCOME STATEMENT FOR THE YEAR ENDED 28 FEBRUARY 2015

Sales		2 180 000	✓
Cost of sales	(2 180 000 + 60 000 ✓) x 100/160 ✓	One part correct (1 400 000)	✓
Gross profit	check operation	780 000	✓
Operating expenses		(213 800)	
Selling and distribution cost	(127 100 ✓ - 1 240 ✓✓)	125 860	✓
Administration costs	(62 930 ✓ + 25 010 ✓) if 1/3 of rent above	87 940	✓
Net profit for the year	check operation (subtracted)	566 200	✓

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5.2 ROBS PENCILS

5.2.1 Comment on the fixed cost per unit. Note that fixed costs increased from R236 800 in 2013 to R238 000 in 2014.

The fixed cost per unit decreased from R3,20 to R2,80. ✓
Economies of scale (more units were produced in 2014) ✓

2

5.2.2 Calculate the break-even point for the year ended 30 June 2014.

$$\frac{238\,000}{14,50 - 11,75}$$

= 86 545,45 or 86 546 units ✓ **one part correct**

4

Do you consider the level of production to be satisfactory or not? Quote and explain figures to support your opinion.

Not satisfactory ✓
Explanation ✓✓ quoting figures ✓ **(mark according to BEP calculation above)**
Although the business produced more goods than last year, (85 000 – 74 000), it failed to break even this year. (86 456 – 85 000)
Low profit last year / loss this year.

4

5.2.3 Identify ONE problem regarding the variable costs. Quote appropriate figures to support your answer.

Cost identified ✓ figures ✓
Raw materials costs increased from R4,00 to R5,50 per unit.

Provide TWO suggestions that Rob can use to address the problem identified.

Any TWO suggestions: ✓✓ ✓✓

Possible answers:

- Monitor production techniques to minimise wastage
- Train workers
- Buy in bulk to take advantage of discount
- Look for local suppliers – reduce transport cost

6

TOTAL MARKS
45

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.

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

2

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

$$\begin{aligned} &40\,000 \\ 70\,000 \checkmark \times 100/175 \checkmark \times 70\% \checkmark &= 28\,000 \checkmark \text{ any one part correct} \\ \text{or} & \\ 12\,000/30 \times 70 &= 28\,000 \end{aligned}$$

4

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

$$\begin{aligned} 102\,000/12 &= 8\,500 \\ 8\,500 \times 3 &= 25\,500 \\ 15\,300 \times 9 &= 137\,700 \\ 25\,500 \checkmark + 137\,700 \checkmark &= 163\,200 \checkmark \text{ any one part correct} \end{aligned}$$

3

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

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

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 Item and figure ✓ ✓ ✓	Valid reason ✓ ✓ ✓
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

TOTAL: 300