

**EXAMINATIONS AND ASSESSMENT CHIEF DIRECTORATE**

Home of Examinations and Assessment, Zone 6, Zwelitsha, 5600

REPUBLIC OF SOUTH AFRICA, Website: [www.ecdoe.gov.za](http://www.ecdoe.gov.za)

## **2020 ASC CHIEF MARKER'S REPORT**

<b>SUBJECT:</b>	<b>ACCOUNTING</b>
<b>PAPER:</b>	<b>ASC</b>
<b>DURATION OF PAPER:</b>	<b>3 hours</b>

### **SECTION 1:**

#### **(General overview of Learner Performance in the question paper as a whole)**

The overall structure and layout conformed to the trends set in past year papers. It covered a wide range of topics and contained an appropriate balance of different cognitive levels. Five of the six questions provided an easy starter to the question as an introduction and then proceeded to test understanding, interpretation and insight. Candidates were supposed to be able to answer most of the starter questions, at least in part (partially). Most candidates attempted these questions and earned a fair number of marks here. Question 1 started with matching of concepts (5 marks); Question 2 started with VAT calculations (8 marks); Question 3 started with missing words (3 marks); Question 5 started with choosing the correct word (4 marks) and Question 6 started with True/False (3 marks).

After the introductory questions, the understanding, interpretation and application questions followed. It included a number of questions which required open-ended problem solving and comments. Candidates attempted most questions, except for question 6. (It seems as if all candidates could not finish the paper within the given time.) Even though many did not do very well in the challenging questions, there were not a lot of blank spaces, as we expected these candidates would have.

Markers were required to read carefully and credit candidates for valid responses that were beyond the marking guideline, as prescribed in the principles which form part of the marking guideline.

Only a very small percentage of candidates did well in the province. Unfortunately, many candidates do not make use of previous years' question papers – as these are part-time candidates, they probably don't have access to the internet or previous papers.

It was disappointing that such a huge percentage of candidates did not write the exam, even though they chose to register. Many of the candidates that did not write the exam, were MEO candidates – which means that they will not be able to obtain their matric certificate if they do not complete the subject.



## SECTION 2:

### QUESTION 1: MANUFACTURING

**(a) General comment on the performance of candidates in the specific question. Was the question well answered or poorly answered?**

Sub-question	Topic	Maximum marks	Average mark	%
1.1	Concepts	5	3.5	70
1.2.	Factory Overhead Cost Production Cost Statement	26	14.64	56
1.3	Comments on Break-even and Cost per unit	14	5.6	40
	<b>Sample of 100 scripts</b>	<b>45</b>	<b>23.85</b>	<b>53</b>

Most candidates attempted this question and they did moderately well in this question. Most candidates scored marks in questions 1.1 and 1.2.1 even though they did not score full marks, they did calculations. There are still candidates who do not know the format of the Production Cost Statement.

Candidates could not explain why the change in units produced, affected the fixed cost per unit.

Due to the fact that there were many options on the memo, candidates scored marks in 1.3.2.

Most candidates knew that they need to compare BEP with the level of production and the BEP of year 2019 with BEP of 2018. Unfortunately, a lot of candidates compared the level of production and BEP of 2018.

The consequences of reducing the size of the product, were clearly explained.

**(b) Why was the question poorly answered? Provide specific examples, indicate common errors committed by candidates in this question, and any misconceptions.**

- Candidates did not transfer the total of Factory overheads from the note to the Production Cost Statement.
- Candidates not know the format of the production cost statement and therefore answered it poorly.
- Opening and closing stock figures for Indirect material were given figures – candidates failed to use it correctly.
- Unable to calculate cost of sales using the mark-up %.
- Could not calculate missing figures by using given ratios.

**(c) Provide suggestions for improvement in relation to Teaching and Learning.**

- Educators should make sure that candidates have better understanding of concepts and information that they deal with.
- Much more focus is needed on internal control and ethics.
- Studying question papers from previous years, candidates would have been able to pick up a trend in the questions and comments on internal control.

**(d) Describe any other specific observations relating to responses of candidates and comments that are useful to teachers, subject advisors, teacher development etc.**

- These candidates need to be taught full time as they show a lack of understanding.
- In all the questions it must be their norm to show calculations to earn part marks.

## **QUESTION 2: VAT and RECONCILIATIONS**

**(a) General comment on the performance of candidates in the specific question.**  
**Was the question well answered or poorly answered?**

Sub-question	Topic	Maximum marks	Average mark	%
2.1	VAT	8	4.24	53
2.2	Bank Reconciliation Internal Control	29	10.15	35
2.3	Debtors' Age Analysis	8	3.12	39
	<b>Sample of 100 scripts</b>	<b>45</b>	<b>17.51</b>	<b>39</b>

Although many of the candidates attempted this question, it was answered poorly. Some candidates could do the calculation of VAT amounts, but indicating the effect was challenging for them.

Candidates were not well prepared for Bank Reconciliation. It was noted that candidates got confused whether figures should be in the CRJ, CPJ or Bank Reconciliation Statement.

Some candidates scored good marks in analysing the Debtors Age Analysis. Candidates got confused with the strategies that can be used to ensure that only reliable applicants are granted credit. Some explained what to do to ensure debtors pay on time.

**(b) Why was the question poorly answered? Also provide specific examples, indicate common errors committed by candidates in this question, and any misconceptions.**

- Candidates could not differentiate between CRJ / CPJ/Bank Recon entries.
- Many candidates lost marks for foreign items entered in Journals and Bank Recon.
- Candidates got confused with Credit terms and Credit Limit.
- Language barrier as it was difficult for them to answer 2.2.4

**(c) Provide suggestions for improvement in relation to Teaching and Learning.**

- There should be more emphasis on CRJ and CPJ entries, especially common entries such as Bank Charges.
- With reference to the Age Analysis, emphasis must be placed on differentiating between Credit terms and Credit limits and how these are to be identified in an Age Analysis.

**(d) Describe any other specific observations relating to responses of candidates and comments that are useful to teachers, subject advisors, teacher development etc.**

- Candidates did not answer the strategies to be implemented ensuring reliable applicants are granted credit. Rather, candidates attempted the question as though the applicants were already credit-granted debtors of Tonga Hardware.
- Correction of errors, such as where to insert the difference, in the CRJ and CPJ also require emphasis.

### **QUESTION 3: INVENTORY VALUATION**

**(a) General comment on the performance of candidates in the specific question. Was the question well answered or poorly answered?**

Sub-question	Topic	Maximum marks	Average mark	%
3.1	Concepts	3	1.95	65
3.2	Calculate Closing Stock(Weighted average & FIFO) Calculate missing stock Stock Level & selling Price	37	17.76	48
	<b>Sample of 100 scripts</b>	<b>40</b>	<b>19.71</b>	<b>50</b>

Though many failed to achieve what was tested here, they still earned marks for the workings.

Candidates got confused between the different stock valuation methods. Candidates don't know the difference between stock holding period and stock turnover rate.

Most candidates were able to give solutions to solve the problem of stolen jackets such as installing cameras and improved security. These were taken as 2 different answers, most candidates were able to give solutions to solve the problem of stolen jackets.

However, too many candidates gave "division of duties" if asked for advice. They did not read the question thoroughly.

**(b) Why was the question poorly answered? Also provide specific examples, indicate common errors committed by candidates in this question, and any misconceptions.**

- Candidates confused the figures – used the figures for jeans instead of jackets and visa versa.
- Consolidation of stock evaluation methods was not good enough.

**(c) Provide suggestions for improvement in relation to Teaching and Learning**

- The stock valuation methods (i.e. FIFO etc.) needs to be emphasized.
- The importance of showing workings, in addition to the final answer, must be communicated – this way candidates can earn part marks in calculations.

<b>(d) Describe any other specific observations relating to responses of candidates and comments that are useful to teachers, subject advisors, teacher development etc.</b>
<ul style="list-style-type: none"> <li>- “Division of duties” is used repetitively in questions about stock theft.</li> <li>- Candidates need to know the difference between the Stock Holding Period and the Stock Turnover Rate.</li> <li>- When asked to calculate “units”, candidates calculated the rand value.</li> </ul>

### **QUESTION 4: FIXED ASSETS & FINANCIAL STATEMENTS**

**(a) General comment on the performance of candidates in the specific question. Was the question well answered or poorly answered?**

Sub-question	Topic	Maximum marks	Average mark	%
4.1	Fixed Asset Note	16	5.76	36
4.2(a)	Ordinary Share Capital	7	3.15	45
4.2(b)	Retained Income	8	4.08	51
4.3	Balance Sheet	34	11.56	34
	<b>Sample of 100 scripts</b>	<b>65</b>	<b>24.55</b>	<b>38</b>

Most candidates failed to score good marks in asset disposal. As this question has work with and “one part correct” marks, most candidates at least earned a few marks in 4.1.

Although the candidates were mostly unable to calculate the amounts of the Share capital and the Retained Income notes, it was gratifying to see that most candidates know the format of the notes.

As candidates should expect that either the Balance Sheet or the Income Statement will be assessed, it was disappointing that candidates did not know the format of the Balance Sheet. There were many misplacements and foreign items. Candidates were not able to transfer amounts from the notes to the Balance Sheet.

**(b) Why was the question poorly answered? Also provide specific examples, indicate common errors committed by candidates in this question, and any misconceptions.**

- Did not use the correct number of months to calculate depreciation.
- Candidates were unable to work out the price of the shares at the end of the year and the buy back price of shares.
- The number of shares bought back, was not subtracted and therefore the amount for shares issued could not be calculated correctly.
- Struggled to calculate the missing figure.
- Amounts were not transferred from the notes to the Balance Sheet.
- Candidates did not know the format of the Balance Sheet.
- Too many foreign items in the Balance Sheet.
- Could not calculate the loan amount and did not transfer the current portion of loan to Current liabilities.



**(c) Provide suggestions for improvement in relation to Teaching and Learning**

- It is recommended to stagger the teaching of the Balance Sheet: Teach the structure of the Balance Sheet, then proceed to practising the format prior to calculations.
- Candidates should be taught to calculate the number of months the business has owned a fixed asset to calculate the accumulated depreciation.

**(d) Describe any other specific observations relating to responses of Candidates and comments that are useful to teachers, subject advisors, teacher development etc.**

- With specific reference to Question 4.2, candidates disregard the date of issuing and re-purchasing the shares.
- Candidates have no knowledge of how, when or where to make use of the average price of shares. They were not able to calculate the average price.

## **QUESTION 5: CASH FLOW STATEMENT & INTERPRETATION**

**(a) General comment on the performance of candidates in the specific question. Was the question well answered or poorly answered?**

Sub-question	Topic	Maximum marks	Average mark	%
5.1	Concepts	4	3.04	76
5.2	Cash Flow Statement Financial Indicators: % operating profit/sales Acid test Ratio NAV	35	12.25	35
5.3	Compare Liquidity Comment on: EPS & ROTCE, Market Value, Dividend Pay-out, Risk & Gearing	31	5.89	19
	<b>Sample of 100 scripts</b>	<b>70</b>	<b>21.18</b>	<b>30</b>

Candidates did fairly well in Question 5.1, although most candidates did not know the difference between an Income Statement and a Cash Flow statement.

Candidates struggled to do the Cash Flow Statement. They could not calculate dividends paid, most only used the total dividends paid and declared. Candidates did not grasp the use of brackets in the Cash Flow Statement.

Candidates did score a few marks for Q5.2.2, but they really struggled with Question 5.3 where grouping of financial indicators and a lot of comments and explanations were required from them. It is clear that candidates did not have an idea how to do it. Candidates did not know the meaning of dividend pay-out rates. They only stated the dividends. No learner was able to score full marks in the calculations of the majority shareholding. Most have no idea of the concept.

**(b) Why was the question poorly answered? Also provide specific examples, indicate common errors committed by candidates in this question, and any misconceptions.**

- Could not calculate dividends paid, assets bought, assets sold etc.
- Poor understanding of calculating cash at the begin of the year, cash at the end of the year and net change.
- Did not know format of Cash Flow Statement.
- Did not indicate an outflow of cash in brackets.
- Candidates could not group indicators and therefore quoted the wrong ratios – for example acid test ratios under risk and gearing.

**(c) Provide suggestions for improvement in relation to Teaching and Learning.**

- Teachers should reinforce terms such as “paid” and “purchase” when teaching the Cash Flow Statement.
- Candidates should be taught to use brackets to indicate an outflow in the Cash Flow Statement.
- Teachers must ensure that the candidates are capable of grouping the financial indicators under the headings of Liquidity, Gearing etc.

**(d) Describe any other specific observations relating to responses of candidates and comments that are useful to teachers, subject advisors, teacher development etc.**

- The format of financial indicators should be emphasised to candidates; they need to know which financial indicators make use of cents and which of percentages.
- When answering questions about financial indicators, candidates should quote the ratio and the figures, as well as be able to show trends.

### **QUESTION 6: BUDGETING**

**(a) General comment on the performance of candidates in the specific question. Was the question well answered or poorly answered?**

Sub-question	Topic	Maximum marks	Average mark	%
6.1	Concepts	3	2.01	67
6.2	Debtors Collection Schedule Calculate amounts in Cash Budget Overpayments Ethics	32	7.68	24
	<b>Sample of 100 scripts</b>	<b>35</b>	<b>9.69</b>	<b>28</b>

Many candidates did not do Question 6. It can be due to poor time management. Those candidates who attempted this question, answered it poorly.

Most candidates who attempted the question, scored marks in Question 6.1 and 6.2(i). Candidates could not calculate the percentage discount. Almost no learner could calculate the additional loan acquired.

Candidates could work out the overpayment, but found the reasons for overpayment very challenging and scored very low marks in this section.

Question 6.2.4 was answered extremely poor. Candidates misunderstood the question. The reason could be a language barrier, or a lack of reading comprehension.

**(b) Why was the question poorly answered? Also provide specific examples, indicate common errors committed by candidates in this question, and any misconceptions.**

- Question 6.2 is an example of a poorly answered question. This could be due to insufficient revision and preparation by the candidates.
- Every aspect of Budgeting was assessed in this exam; therefore, the poor performance can be interpreted as a lack of understanding of the topic as a whole.
- Candidates should read and comprehend the questions before attempting to answer as it is clear that they are unable to identify or interpret information from the question paper.

**(c) Provide suggestions for improvement in relation to Teaching and Learning**

- Skills such as interpreting information as well commenting need to be focused on when teaching in class.
- Exam-style questions should be incorporated into daily class activities to ensure that candidates obtain the necessary skills to answer these types of questions.

**(d) Describe any other specific observations relating to responses of Candidates and comments that are useful to teachers, subject advisors, teacher development etc.**

- Candidates should be advised to answer the questions that require comments. They should at least attempt the question rather than leaving it blank.
- Candidates should adhere to the time allocation to ensure that they answer and attempt all the questions – too many candidates seemed to rush through this question.





# basic education

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

**NSC 2019  
MEO 2019  
SC CANDIDATES**

**GRADE 12**

**ACCOUNTING**

**NOVEMBER 2020**

**MARKS: 300**

**TIME: 3 hours**

**This question paper consists of 20 pages and a 15-page answer book.**



**INSTRUCTIONS AND INFORMATION**

Read the following instructions carefully and follow them precisely.

1. Answer ALL the questions.
2. A special ANSWER BOOK is provided in which to answer ALL the questions.
3. Show ALL workings to achieve part-marks.
4. You may use a non-programmable calculator.
5. You may use a dark pencil or blue/black ink to answer the questions.
6. Where applicable, show ALL calculations to ONE decimal point.
7. Write neatly and legibly.



8. Use the information in the table below as a guide when answering the question paper. Try NOT to deviate from it.

<b>QUESTION 1: 45 marks; 25 minutes</b>	
<b>Topic:</b>	<b>This question integrates:</b>
Manufacturing	<b>Managerial accounting</b> Concepts and Production Cost Statement Break-even analysis and interpretation <b>Managing resources</b> Internal control

<b>QUESTION 2: 45 marks; 30 minutes</b>	
<b>Topic:</b>	<b>This question integrates:</b>
VAT and Reconciliations	<b>Financial accounting</b> VAT calculations Bank reconciliations, Age analysis <b>Managing resources</b> Internal control processes

<b>QUESTION 3: 40 marks; 25 minutes</b>	
<b>Topic:</b>	<b>This question integrates:</b>
Inventory Valuation	<b>Managing resources</b> Weighted average method and FIFO method Internal controls

<b>QUESTION 4: 65 marks; 40 minutes</b>	
<b>Topic:</b>	<b>This question integrates:</b>
Fixed Assets and Financial Statements	<b>Financial accounting</b> Concepts and Balance Sheet with notes <b>Managing resources</b> Fixed asset management

<b>QUESTION 5: 70 marks; 40 minutes</b>	
<b>Topic:</b>	<b>This question integrates:</b>
Cash Flow Statement and Interpretation	<b>Financial accounting</b> Concepts, cash flow calculations Interpretation of financial information

<b>QUESTION 6: 35 marks; 20 minutes</b>	
<b>Topic:</b>	<b>This question integrates:</b>
Budgeting	<b>Managerial accounting</b> Cash Budget: analyse and interpret <b>Managing resources</b> Internal control

**QUESTION 1: MANUFACTURING****(45 marks; 25 minutes)**

- 1.1 Choose an example in COLUMN B that matches the cost category in COLUMN A. Write only the letter (A–E) next to the question numbers (1.1.1 to 1.1.5) in the ANSWER BOOK.

COLUMN A		COLUMN B	
1.1.1	Selling and distribution	A	raw material issued for production
1.1.2	Direct labour	B	bad debts
1.1.3	Administration	C	depreciation on factory machinery
1.1.4	Factory overhead cost	D	production wages
1.1.5	Direct material	E	bank charges

(5 x 1) (5)

1.2 **BERGVIEW MANUFACTURERS**

This information relates to the financial year ended 29 February 2020.  
The business manufactures buckets.

**REQUIRED:**

Prepare the following on 29 February 2020:

1.2.1 Factory Overhead Cost Note (16)

1.2.2 Production Cost Statement (10)

**INFORMATION:****A. Stock balances**

	29 February 2020 R	28 February 2019 R
Work-in-progress	?	130 000
Finished goods	140 000	155 500
Indirect material	14 300	12 400

**B. Amounts extracted from the records on 29 February 2020**

	R
Salary: factory foreman	150 000
Depreciation on factory equipment	145 000
Direct material cost	2 200 000
Direct labour cost	1 209 300
Indirect material purchased	33 100
Insurance	60 000
Water and electricity	115 000
Rent expense	113 000
Sales	6 500 000
Cost of sales (mark-up on cost: 60%)	?

- Insurance is shared by the factory, administration and the selling department in the ratio 3 : 2 : 1.
- Water and electricity for February 2020 is still outstanding, R12 000. The factory uses 80% of the water and electricity.
- Rent expense is distributed according to floor space used. The factory occupies 7 200 m<sup>2</sup> of the total floor space of 9 000 m<sup>2</sup>.

**1.3 EASY FOODS**

Easy Foods manufactures snack bars. The financial year ends on 31 December.

**REQUIRED:**

- 1.3.1 Explain why the change in units produced affected the fixed costs per unit. (2)
- 1.3.2 Give TWO possible reasons for the increase in direct material cost per unit. (4)
- 1.3.3 Explain why the business should not be satisfied with the level of production and the break-even point. Compare and quote figures for both years. (6)
- 1.3.4 The owner, Mike, wants to reduce the weight of the snack bars from 80 grams to 75 grams while keeping the selling price at R12,50 each. Explain ONE reason against this option. (2)

**INFORMATION:**

	2019		2018	
	Total	Per unit	Total	Per unit
Sales	R675 000	R12,50	R617 500	R9,50
Variable costs	R472 500	R8,75	R390 000	R6,00
Fixed costs	R191 160	R3,54	R191 160	R2,70
Direct material cost	R270 000	R5,00	R279 500	R4,30
Break-even units	50 976		50 000	
Units produced and sold	54 000		65 000	



**QUESTION 2: VAT AND RECONCILIATIONS****(45 marks; 30 minutes)****2.1 VAT**

The following relates to Lunga Stores for the VAT period ended 30 April 2020. VAT at 15% applies to all goods.

**REQUIRED:**

Calculate the VAT amounts denoted by (i) to (iii) on the table. Indicate the effect of EACH answer on the amount payable to SARS. Refer to the example. (8)

**INFORMATION:**

**A.** Amount owed to SARS on 1 April 2020, R5 500

**B. Amounts from April 2020 Journals:**

DETAILS	EXCLUDING VAT	INCLUDING VAT	VAT AMOUNT	EFFECT
<b>Total sales</b>	<b>R544 500</b>	<b>R626 175</b>	<b>R81 675</b>	<b>Increase</b>
Purchases of stock	174 900	201 135	(i)	?
Drawings of stock	32 000		(ii)	?
Bad debts		7 015	(iii)	?

**2.2 BANK RECONCILIATION AND INTERNAL CONTROL**

The information relates to Plaston Traders for April 2020.

**REQUIRED:**

- 2.2.1 Show the entries that must be recorded in the Cash Journals. (10)
- 2.2.2 Calculate the Bank Account balance on 30 April 2020. (4)
- 2.2.3 Prepare the Bank Reconciliation Statement on 30 April 2020. (9)
- 2.2.4 As internal auditor you are not happy with the control of cash in this business.
- Explain TWO problems to confirm your suspicion. Quote figures.
  - Give advice on how EACH problem can be avoided in future. (6)

**INFORMATION:****A. Information from the Bank Reconciliation Statement on 31 March 2020:**

Unfavourable balance as per Bank Statement		R19 500
Outstanding deposit		50 400
Outstanding cheques:	Cheque 615 (dated 30 October 2020)	15 750
	Cheque 960 (dated 20 March 2020)	11 850
	Cheque 965 (dated 30 May 2020)	6 750
Unfavourable balance as per Bank Account in the Ledger		3 450

- The deposit of R50 400 appeared on the Bank Statement on 14 April 2020.
- Cheque 960, issued in March 2020, was reflected on the Bank Statement for April 2020 as R14 550. The Bank Statement is correct.

**B. Provisional totals in the Cash Journals on 30 April 2020 before receiving the April Bank Statement:**

- Cash Receipts Journal, R65 570
- Cash Payments Journal, R64 790

**C. Information on the April 2020 Bank Statement which did not appear in the April 2020 Cash Journals:**

DATE	DETAILS	DEBIT	CREDIT
11	ZL Nkosi (EFT by tenant)		R31 350
25	Debit order (Quick Insurance)	R9 750	
25	Unpaid cheque (P Grobler)	3 375	
28	Interest		150
29	Service fees	600	
30	Service fees	600	

**NOTE:** The bank duplicated the service fees in error. They will correct this error next month.

**D. Deposit entries in the April 2020 Cash Receipts Journal that do not agree with the April 2020 Bank Statement:**

- R27 750 on 24 April 2020
- R44 000 on 26 April 2020. The Bank Statement reflected this as R33 500. An investigation revealed that the cash slips added up to R44 000, but only R33 500 was deposited. The shortfall cannot be traced and must be written off.

**E. Entries in the April 2020 Cash Payments Journal, not in the April 2020 Bank Statement:**

DOCUMENTS	DATE	DETAILS	BANK
Cheque 980	29	PNA Suppliers	R8 600
EFT: P Sithole	30	Drawings	R7 300

**F. Bank Statement balance on 30 April 2020: ...?**

**2.3 DEBTORS' AGE ANALYSIS**

The information relates to Tonga Hardware.

**REQUIRED:**

- 2.3.1 Explain how the Debtors' Age Analysis will assist the business in managing debtors more effectively. (2)
- 2.3.2 Explain TWO separate problems highlighted by the age analysis. Provide evidence for EACH. (4)
- 2.3.3 State TWO strategies that Tonga Hardware can use to ensure that only reliable applicants are granted credit. (2)

**INFORMATION:**

**A.** Debtors are granted 30 days to settle their accounts.

**B.** Debtors' age analysis on 29 February 2020:

DEBTORS	CREDIT LIMIT	AMOUNT OWING	CURRENT AMOUNT	30 DAYS	60 DAYS	90 DAYS
N Nene	9 000	7 500	3 150	4 350		
P Palm	5 250	6 300	5 700	600		
D Duma	10 500	2 175	750			1 425
S Swart	19 500	18 750	1 500	4 500	6 750	6 000
	<b>44 250</b>	<b>34 725</b>	<b>11 100</b>	<b>9 450</b>	<b>6 750</b>	<b>7 425</b>



**QUESTION 3: INVENTORY VALUATION****(40 marks; 25 minutes)**

- 3.1 Complete the sentences by filling in the correct stock valuation method. Write only the answer next to the question numbers (3.1.1 to 3.1.3) in the ANSWER BOOK.
- 3.1.1 The ... method assumes that stock is sold in order of date purchased.
- 3.1.2 The ... method divides the total cost of goods available for sale by the number of units.
- 3.1.3 The ... method is used for very expensive, individually recognisable items. (3 x 1) (3)

**3.2 JJ FASHION HOUSE**

JJ Fashion House uses the periodic stock system. Janine Naidoo owns the business.

**REQUIRED:****Refer to Information A: Jeans**

- 3.2.1 Calculate the following on 29 February 2020:
- Value of the closing stock using the weighted-average method (6)
  - Gross profit (4)
- 3.2.2 Calculate how long (in days) it will take to sell the closing stock of the jeans. (4)
- 3.2.3 Janine is considering a change in the method of valuing stock.
- Calculate the value of closing stock using the FIFO method. (7)
  - State ONE advantage of using the FIFO method. (2)

**Refer to Information B: Jackets**

- 3.2.4 The owner is concerned about the theft.
- Calculate the number of jackets stolen. (4)
  - Give TWO solutions to solve the problem. (4)
- 3.2.5 The internal auditor is concerned about the stock levels and the selling price of jackets.
- Explain reasons for his concern, with figures, and give different advice in EACH case. (6)

**INFORMATION:****A. Jeans:**

	UNITS	UNIT PRICE	TOTAL
Opening stock (1 March 2019)	240		R124 500
<b>Purchases</b>	<b>3 150</b>		<b>R1 813 000</b>
May 2019	1 300	R560	R728 000
October 2019	1 450	R580	R841 000
January 2020	400	R610	R244 000
<b>Subtotal</b>	<b>3 390</b>		<b>R1 937 500</b>
Returns from January purchases	130	R610	R79 300
Sales	2 880	R960	R2 764 800
Closing stock (29 February 2020)	380	?	?

**B. Jackets:**

	2020 (UNITS)	2019
Opening stock	1 760	
Purchases (less returns)	6 500	
Units available for sale	8 260	
Closing stock	2 980	
Units sold	5 020	
Weighted-average cost per unit	R700	R630
Selling price per unit	R1 450	R1 070
Stock-holding period	216 days	103 days
Mark-up % achieved	107%	70%





**QUESTION 4: FIXED ASSETS AND FINANCIAL STATEMENTS****(65 marks; 40 minutes)****AVENGERS LTD**

The information relates to the financial year ended 31 March 2020.

**REQUIRED:****4.1 Refer to Information B.**Calculate the missing amounts denoted by **(i)** to **(iv)**. (16)**4.2 Prepare the following notes to the Balance Sheet on 31 March 2020:**

- Ordinary share capital (7)
- Retained income (8)

**4.3 Complete the Balance Sheet (Statement of Financial Position) on 31 March 2020. Show workings. (34)****INFORMATION:****A. Amounts extracted from the books on 31 March:**

<b>BALANCE SHEET ACCOUNTS</b>	<b>2020 R</b>	<b>2019 R</b>
Ordinary share capital	?	4 800 000
Retained income	?	1 181 250
Mortgage loan: Grandeur Bank	2 508 000	3 150 000
Fixed assets at carrying value	11 458 500	
Trading stock (balancing figure)	?	
Net trade debtors	881 000	
Bank (favourable)	454 000	
Creditors' control	1 318 000	
SARS: Income tax (provisional)	972 000	
Income received in advance	32 000	
Shareholders for dividends	889 200	752 000
<b>Nominal accounts (pre-adjustment amounts)</b>		
Commission income	29 920	
Rent expense	364 000	
Directors' fees	2 275 000	

**B. Incomplete Fixed Asset Note:**

	LAND AND BUILDINGS	VEHICLES	EQUIPMENT
<b>Carrying value (1 April 2019)</b>		<b>631 000</b>	
Cost	(i)	1 281 000	
Accumulated depreciation		(650 000)	(200 000)
<b>Movements</b>			
Additions		625 000	
Disposals	(850 000)	0	(iii)
Depreciation		(ii)	(42 450)
<b>Carrying value (31 March 2020)</b>			
Cost	9 650 000		
Accumulated depreciation			(iv)

**Land and buildings:**

- A building, on a separate property, was sold at cost.

**Vehicles:**

- A new vehicle was bought on 1 January 2020.
- Vehicles are depreciated at 20% p.a. on cost.

**Equipment:**

- Old equipment, cost R21 000, was sold on 30 September 2019. The accumulated depreciation was R15 000 on 1 April 2019.
- Equipment is depreciated at 15% p.a. on the diminishing-balance method.

**C. Share capital:**

DATE	INFORMATION
1 April 2019	800 000 ordinary shares in issue
31 May 2019	400 000 ordinary shares issued
1 October 2019	60 000 ordinary shares repurchased <ul style="list-style-type: none"> <li>• Average share price, R7,00</li> <li>• Repurchase price per share, R10,80</li> </ul>

**D. Dividends:**

- An interim dividend of 124 cents was paid on 30 September 2019.
- Final dividends were declared, R889 200.

**E. Mortgage loan: Grandeur Bank**

- Fixed monthly repayments (including interest) have been made and correctly recorded.
- Interest of R258 000 has not been recorded by the business yet.
- The capital repayment will remain the same over the next financial year.

**F.** The decrease in the provision for bad debts, R2 500, was not recorded.

**G.** Commission income for March 2020, R41 900, was still outstanding.

**H.** The company has three directors who earn the same monthly directors' fee. One director has not received his directors' fee for March 2020 yet.

**I.** Rent for April 2020 has been paid. The rent was increased by 25% on 1 January 2020.

**J. Net profit after tax and income tax:**

- The correct net profit after tax **after all adjustments** is R2 534 400.
- Income tax is calculated at 28% of the net profit.



**QUESTION 5: CASH FLOW STATEMENT AND INTERPRETATION****(70 marks; 40 minutes)**

- 5.1 Choose the correct word(s) from those given in brackets. Write only the word(s) next to the question numbers (5.1.1 to 5.1.4) in the ANSWER BOOK.
- 5.1.1 The (internal/external) auditor is appointed by shareholders to express an unbiased opinion of the financial statements of a company.
- 5.1.2 (Directors/Shareholders) are responsible for the management and running of the business.
- 5.1.3 The (Income Statement/Balance Sheet) shows the financial position of the business in terms of its assets, equity and liabilities.
- 5.1.4 The (Income Statement/Cash Flow Statement) is a financial statement that shows the sources of a company's funds and how they were used. (4 x 1) (4)
- 5.2 **BOMBAY LTD**

The information relates to Bombay Ltd for the financial year ended 29 February 2020.

**REQUIRED:**

- 5.2.1 Fill in the missing amounts on the Cash Flow Statement provided. Show workings. Indicate outflows in brackets. (22)
- 5.2.2 Calculate the following financial indicators on 29 February 2020:
- % operating profit on sales (3)
  - Acid-test ratio
- NOTE:** The current ratio is 1,6 : 1. (5)
- Net asset value (NAV) per share (5)

**INFORMATION:****A. Extract from the Income Statement (Statement of Comprehensive Income) on 29 February 2020:**

Sales	R4 824 000
Gross profit	1 608 000
Depreciation	312 600
Operating profit	1 122 500
Net profit before tax	984 000
Net profit after tax	688 800

**B. Extract from the Balance Sheet (Statement of Financial Position) on 29 February:**

	2020 (R)	2019 (R)
Fixed assets (carrying value)	4 830 000	3 760 100
Current assets	?	962 000
Current liabilities	774 000	712 800
Trading stock	619 000	538 000
Bank	0	56 400
Petty cash	2 500	0
Ordinary share capital	5 880 000	5 360 000
Retained income	542 800	236 000
Loan: Kan Bank	950 000	1 300 000
SARS: Income tax	26 400 (Cr)	11 600 (Dr)
Shareholders for dividends	165 000	126 000
Bank overdraft	28 800	0

**C. Share capital and dividends:**

- The authorised share capital comprises 1 500 000 shares.
- On 1 March 2019, 60% of the authorised shares were in issue.
- On 30 June 2019, 200 000 additional shares were issued for R1 240 000.
- On 29 February 2020, 120 000 shares were repurchased at R96 000 above the average share price.
- Total dividends paid and declared in the 2020 tax year were R286 000.

**D. Fixed assets:**

- Additions to buildings were completed during November 2018.
- Old equipment was sold at carrying value, R34 500.

**5.3 TWO COMPANIES: LULU LTD AND COCO LTD**

Noah Lott won R5,6 m in the national lottery five years ago and then decided to invest R2,8 m in each of the two companies below, as follows:

<b>Lulu Ltd</b>	400 000 shares at R7,00 each = R2,8 m
<b>Coco Ltd</b>	100 000 shares at R28,00 each = R2,8 m

He wants your opinion on these companies.

**NOTE:** When answering the questions below, compare the information given and quote the relevant financial indicators of both companies (percentages, ratios and/or amounts).

**INFORMATION:**

	<b>LULU LTD</b>		<b>COCO LTD</b>	
	<b>2020</b>	<b>2019</b>	<b>2020</b>	<b>2019</b>
Total number of shares	1 100 000 shares		700 000 shares	
Shares originally bought by Noah	400 000 shares		100 000 shares	
Noah's % shareholding	36%		14%	
Current market value per share	R9,50		R18,80	
Ordinary share capital	R9 900 000		R11 900 000	
Retained income	R1 890 000		R600 000	
Long-term loan	R9 432 000		R2 500 000	
Current ratio	1,7 : 1	1,6 : 1	4,2 : 1	4,8 : 1
Acid-test ratio	0,9 : 1	0,8 : 1	3,6 : 1	3,5 : 1
% operating profit on sales	16%	16%	14%	18%
Debt-equity ratio	0,8 : 1		0,2 : 1	
Net asset value per share	R10,72		R17,86	
Earnings per share (EPS)	273 cents	233 cents	171 cents	266 cents
Dividends per share (DPS)	110 cents		200 cents	
% return on equity	25%	14%	9%	15%
% return on capital employed	20%	12%	10%	14%
Interest rate on loans	13%	13%	13%	13%
Interest rate on fixed deposits	6%	6%	6%	6%

**REQUIRED:**

- 5.3.1 Explain which company has the better liquidity. Quote TWO financial indicators to support your opinion. (4)
- 5.3.2 Comment on the earnings per share and the % return on equity of Lulu Ltd. Give TWO reasons why the shareholders will be satisfied with these indicators. (5)
- 5.3.3 Comment on the market value of the shares in Coco Ltd. Explain TWO points. (4)

- 5.3.4 Compare the dividend payout rates of both companies and explain why the directors of EACH company decided on these payout rates. (4)
- 5.3.5 Noah says that the dividend of 110 cents per share he earned from Lulu Ltd is better than the dividend of 200 cents per share from Coco Ltd. Give ONE point to prove that he is incorrect. (4)
- 5.3.6 Comment on the risk and gearing of EACH company. Quote TWO financial indicators. (6)
- 5.3.7 Noah wants to buy shares in Lulu Ltd on the JSE at current market value to become the majority shareholder and CEO. Calculate how much Noah will have to pay for the shares that he needs. (4)

70
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**QUESTION 6: BUDGETING****(35 marks; 20 minutes)**

6.1 Indicate whether the following statements are TRUE or FALSE. Write only 'true' or 'false' next to the question numbers (6.1.1 to 6.1.3) in the ANSWER BOOK.

6.1.1 Bad debts is an example of a payment in a Cash Budget.

6.1.2 A Projected Income Statement estimates the expected profit or loss for a specified period.

6.1.3 A decrease in a fixed deposit will be shown as a receipt in the Cash Budget. (3 x 1) (3)

6.2 **KURUMAN (PTY) LTD**

John Peters is the majority shareholder and CEO. You are provided with information for the period ending 31 July 2020. There are five other shareholders.

**Refer to Information A.**

6.2.1 • Calculate the missing amounts indicated by (i) and (ii) in the Debtors' Collection Schedule. (4)

• Calculate the percentage discount allowed to debtors who settle in the month of the sales transactions. (5)

6.2.2 Calculate the following budgeted amounts:

• Total sales for July 2020 (3)

• Payment to creditors during June 2020 (4)

• Additional loan to be acquired on 1 June 2020 (4)

6.2.3 The directors did not adhere to the Cash Budget during May 2020.

• Identify TWO overpayments in May 2020. Provide figures.

• Give a valid reason for EACH overpayment identified, to support their decisions. (6)

**Refer to Information E.**

6.2.4 Why are the auditors concerned that the agreement with Tradecor is unethical or possibly a crime? Explain THREE points. (6)



**INFORMATION:****A. Sales and debtors' collection:**

- Estimates of total sales for 2020:

April	R150 000
May	R165 000
June	?

- 25% of all sales are on credit. The rest is for cash.
- Debtors are expected to settle as follows:
  - 60% within the same month of sale, subject to a cash discount allowed.
  - 38% in the month following the month of sale.
  - 2% of debts are written off in the second month following the month of sale.
- Partially completed Debtors' Collection Schedule:

	CREDIT SALES	MAY	JUNE	JULY
May	R41 250	R23 760	(i)	
June	(ii)		R25 056	R16 530
July	R48 000			R27 648
				R44 178

**B. Purchases of merchandise and payments to creditors:**

- The business uses a fixed-stock base with stock sold being replaced monthly.
- The business uses a mark-up of 50% on cost.
- 20% of all merchandise is purchased for cash.
- Creditors are paid in full in the month following the month of purchase.

**C. Loan and interest:**

The loan from Bokke Bank will be increased on 1 June 2020. Interest at 20% p.a. is not capitalised and is payable at the end of each month.

**D. Extract from the Cash Budget for the three months ending 31 July 2020:**

RECEIPTS	MAY		JUNE	JULY
	Budgeted R	Actual R	Budgeted R	Budgeted R
Cash sales	123 750	142 400	130 500	144 000
Collection from debtors	38 010	26 000		44 178
Loan			?	
Sale of property	0	320 000		
Sale of old vehicle	40 000	95 000		
<b>PAYMENTS</b>				
Cash purchase of stock	22 000	18 000	23 200	?
Payment to creditors	80 000	80 000	?	?
Salaries	28 000	28 000	28 000	42 000
Advertising	5 600	8 400	5 600	5 600
Staff training			30 000	
Interest on loan	6 000	6 000	7 500	7 500
Vehicle maintenance	12 200	36 350	5 800	5 800
Purchase of vehicle	235 000	235 000	-	-
Rent expense	0	0	0	0
Security personnel	8 000	6 500	8 000	8 000

**E. Agreement with Tradecor:**

The CEO, John Peters, decided to sell one of the company's properties at book value. This property was originally bought for R320 000 in 1980. According to the sale agreement, the purchaser, Tradecor, would rent the property back to Kuruman (Pty) Ltd for R26 000 per month with effect from 1 June 2020.

The auditors of Kuruman (Pty) Ltd discovered that the sole owner of Tradecor is John Peters's wife. They regard this agreement as unethical and possibly a crime.



2020 -12- 23

APPROVED MARKING GUIDELINE



# basic education

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

NSC 2019  
MEO 2019  
SC CANDIDATES

**GRADE 12**

**ACCOUNTING**

**NOVEMBER 2020**

**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 memo.
11. In calculations, do not award marks for workings if numerator & denominator are swapped – this also applies to ratios.
12. In awarding method marks, ensure that candidates do not get full marks for any item that is incorrect at least in part. Indicate with a ☒.
13. Be aware of candidates who provide valid alternatives beyond the marking guideline.
14. Codes: f = foreign item; p = placement/presentation.

**These marking guidelines consist of 15 pages.**

Internal Moderator  
Approved  
18/12/2020

Approved by  
External Moderator  
18/2/2020

## QUESTION 1

1.1

1.1.1	B ✓	(bad debts)
1.1.2	D ✓	(production wages)
1.1.3	E ✓	(bank charges)
1.1.4	C ✓	(depreciation of factory machinery)
1.1.5	A ✓	(raw material to production)

5

## 1.2 BERGVIEW MANUFACTURERS

## 1.2.1 FACTORY OVERHEAD COST NOTE

Salary of factory foremen	150 000 ✓
Depreciation on factory equipment	145 000 ✓
Indirect material (12 400 ✓ + 33 100 ✓ – 14 300 ✓)	31 200 ✓*
Insurance 60 000 x 3/6 or – 30 000	30 000 ✓✓
Water and electricity (115 000 ✓ + 12 000 ✓) x 80% ✓ OR 127 000 – 25 400 OR 92 000 + 9 600	101 600 ✓*
Rent expense 113 000 ✓ x 7 200 / 9 000 ✓ OR 113 000 – 22 600	90 400 ✓*
Be alert to various permutations of amounts and award marks accordingly	548 200 ✓*

16

\*one part correct

1.2.2 PRODUCTION COST STATEMENT  
FOR YEAR ENDED 29 FEBRUARY 2020

\*one part correct

Direct material cost	2 200 000
Direct labour cost	1 209 300 ✓
Prime cost DMC + DLC	3 409 300 ✓
Factory overhead cost see 1.2.1	548 200 ✓
Total production cost operation	3 957 500 ✓
Work-in-progress at beginning	130 000
	4 087 500
Work-in-progress at end balancing figure (accept +ve difference)	(40 500) ✓
Cost of production of finished goods (140 000 ✓ + 4 062 500 ✓ – 155 500 ✓) 6 500 000 x 100/160 Accept alternative workings e.g. Ledger format	4 047 000 ✓*

10

-1 P Poor presentation (max -1) (no details); accept recognisable abbreviations such as DLC, FOHC



**1.3 EASY FOODS****1.3.1 Explain why the change in units produced affected the fixed costs per unit.**

Any ONE valid reason ✓✓

part marks for incomplete / unclear answer

- Fixed cost are not influenced by production levels; decrease in units produced and sold will increase the fixed costs per unit.
- Fixed costs remained constant while the number of units decreased.
- Economies of scale is only achieved if there is an increase in production

2

**1.3.2 Give TWO possible reasons for the increase in direct material cost per unit. Any TWO valid reasons ✓✓ ✓✓**

part marks for incomplete / unclear answers

**Reason 1**

- Increase in price of raw material / including inflation
- No bulk discounts due to decreased production
- Importing raw material (exchange rate / import duties)

**Reason 2**

- Increase in transport and/or storage cost of raw material
- Scarcity – price hikes due to higher demand
- Wastage of raw material / poor management and control in production process / poorly trained workers
- Possible theft of raw material

4

**1.3.3 Explain why the business should not be satisfied with the level of production and the break-even point. Compare and quote figures for both years.**

Comparison ✓ ✓ figures for each year ✓✓ ✓✓

Any TWO of: Compare **BEP** of 2019 to **production** of 2019;  
 Compare **production** of 2019 to **production** of 2018  
 Compare **BEP** of 2019 to **BEP** of 2018

- Produced 54 000 units and the break-even point is 50 976; 3 024 above BEP.
- Production decreased from 65 000 to 54 000 units (by 11 000 units / 16,9%)
- BEP increased from 50 000 to 50 976 units (976 units / 2%)
- Profit on 3 024 units in 2019 in comparison to profit on 15 000 units in 2018 / Drop in profits by 11 976 units

6

**1.3.4 Explain ONE reason against this option.**

ONE reason ✓✓

part marks for incomplete / unclear answers

- This may be considered as unethical / illegal if not disclosed on packaging / can be sued / reported to consumer council
- Will incur additional costs in producing new packaging / advertising
- The customers will not be happy and sales would drop even more / lose customers to competitors
- Negative impact on image of the business, when discovered.

2

**TOTAL MARKS**

45

DEPARTMENT OF BASIC EDUCATION
PRIVATE BAG 9005, PRETORIA 0001
2020 -12- 23
APPROVED MARKING GUIDELINE
PUBLIC EXAMINATION

Please turn over

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

No part marks for workings

Calculate the VAT amounts and indicate the effect of EACH.			
DETAILS		VAT AMOUNT	EFFECT Accept + or –
Total sales		R81 675	Increase
Purchases of stock	(i)	R26 235 ✓	Decrease ✓
Drawings of stock	(ii)	R4 800 ✓✓	Increase ✓
Bad debts	(iii)	R915 ✓✓	Decrease ✓

8

**2.2 BANK RECONCILIATION AND INTERNAL CONTROL****2.2.1 Show the entries that must be recorded in the Cash Journals.**

Cash Receipts Journal (figures only)		Cash Payments Journal (figures only)
65 570		64 790
31 350 ✓	two marks for both 11 850* CRJ 14 550* CPJ	2 700* ✓✓
150 ✓	33 500* CRJ 44 000* CPJ	10 500* ✓✓
	no part marks	9 750 ✓
	two marks for both* 600 (CRJ) 1 200 (CPJ)	3 375 ✓
		600* ✓✓
97 070		91 715

10

-1 foreign items (max -1) for any amount that earns a mark in 2.2.3.

**2.2.2 Calculate the Bank Account balance on 30 April 2020.**

Workings	Answer
See CRJ total See CPJ total – 3 450 ✓ + 97 070 ✓ – 91 715 ✓ Accept ledger account format	1 905 ✓ one part correct

4

CRJ and CPJ totals must include the provisional totals given

**2.2.3 Bank Reconciliation Statement on 30 April 2020**

	One column method	Debit	Credit
Balance per Bank Statement	11 955	Balancing figure / could be debit	11 955 ✓✓ Do not accept 19 500
Credit outstanding deposit	27 750		27 750 ✓
Debit outstanding cheques/EFT:			
No. 615	(15 750)	15 750 ✓	
No. 965	(6 750)	6 750 ✓	
No. 980	(8 600)	8 600 ✓	
EFT	(7 300)	7 300 ✓	
Correction of error/wrong entry	600		600 ✓
Balance per Bank Account	1 905	1 905 ✓*	see 2.2.2 (Dr / Cr)
-1 Presentation (max -1) for no details		40 305	40 305

9

-1 foreign items (max -1) for any amount that earns a mark in 2.2.1.



2.2.4

**As internal auditor you are not happy with the control of cash in this business. Explain TWO problems to confirm your suspicion. Quote figures. Give advice on how EACH problem can be avoided in future.**

	<b>Explanation with evidence</b> Explanation ✓ ✓ Evidence ✓ ✓	<b>Advice</b> ✓ ✓
<b>Problem 1</b>	Theft / Fraud / Internal control measures are lacking. Cash slips have not been recorded, R10 500	Supervision (checking) of cash slips against deposit slip / bank notifications (sms) for all transactions / Recon / EFT / Use security company for deposits
	Rolling of cash / security risk. Deposit of R50 400 occurs 14 days later / Deposit of R27 750 outstanding from 24 April.	Cash collected must be deposited immediately/ Sales person must not deposit cash/Divide duties / Supervisor must check before depositing.
<b>Problem 2</b>	Delayed payments. Post-dated cheques; R15 750 (30 Oct 2020) and R6 750 (30 May 2020)	Purchase goods according to resources available; schedule / plan purchases (budget)

6

Accept the same advice if appropriate / relevant to both problems identified, such as 'Division of duties'.

2.3

**DEBTORS' AGE ANALYSIS**

2.3.1

**Explain how the debtors' age analysis will assist the business in managing debtors' more effectively.**

Valid explanation ✓✓

part marks for incomplete / unclear answers

- Helps the business to identify slow or defaulting debtors, or possible bad debts
- Highlights debtors in good standing so that their credit rating can be reviewed
- It can expose the problem of allowing debtors to exceed their credit limit
- Exposes weaknesses in internal control processes so that corrective measures can be taken.

2

2.3.2

**Explain TWO separate problems highlighted by the age analysis. Provide evidence for EACH.**

Evidence must be shown. May be in explanation column; Accept name or explanation or amount.

Any TWO of:

	<b>Explanation</b> ✓ ✓	<b>Evidence</b> ✓ ✓
<b>Problem 1</b>	Certain debtors are exceeding the <u>credit terms</u> (slow payers) possible bad debts	D Duma, S Swart 90 days ; 60/90 days (1 425) (6 000; 12 750)
	Debtors are exceeding <u>credit limit</u>	P Palm: 20% above limit R1 050 / (R6 300 – R5 250)
<b>Problem 2</b>	Granting slow-paying debtors to continue purchasing / to exceed credit limits (internal control)	D Duma, S Swart

4

2.3.3

**State TWO strategies that Tonga Hardware can use to ensure that only reliable applicants are granted credit.**

Any TWO valid strategies ✓

✓

TWO different options from the list:

Perform credit checks (references / listing / credit bureau)

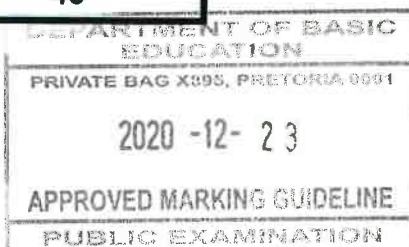
Check employment history / salary advice / bank statement

Contact details (residential or postal address / contact numbers or emails)

2

**TOTAL MARKS**

45



**QUESTION 3**

3.1

3.1.1	First in first out ✓	FIFO
3.1.2	Weighted average method ✓	WA
3.1.3	Specific identification method ✓	SI / SIM

Accept abbreviations

3

3.2 JJ FASHION HOUSE

3.2.1

Calculate: Value of the closing stock using the weighted-average method	
Workings	Answer
$  \begin{array}{r}  \text{1 858 200 two marks} \\  (124\,500 + 1\,813\,000) \quad (130 \times 610) \\  \underline{1\,937\,500 \checkmark} \quad - \underline{79\,300 \checkmark} \times 380 \checkmark \\  3\,390 \checkmark \quad - \quad 130 \checkmark \\  (240 + 3\,150) \\  3\,260 \text{ two marks} \\  \text{WA: 570 four marks}  \end{array}  $	216 600 <input checked="" type="checkbox"/> one part correct
Calculate: Gross profit	
Workings	Answer
$  \begin{array}{r}  \text{see above} \quad \text{see above} \\  2\,764\,800 \checkmark - (1\,858\,200 \checkmark - 216\,600 \checkmark) \\  1\,937\,500 - 79\,300 \\  1\,641\,600 \text{ two marks} \\  \text{IF UNITS ARE USED: } (960 - 570) \times 2\,880 \\  \text{one mark} \quad \text{one mark} \quad \text{one mark}  \end{array}  $	1 123 200 <input checked="" type="checkbox"/> one part correct

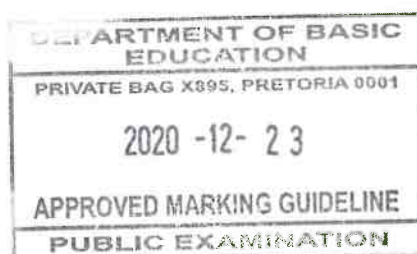
6

4

3.2.2

Calculate how long (in days) it will take to sell the closing stock of the jeans.	
Workings	Answer
$  \begin{array}{r}  \text{see 3.2.1} \\  \underline{216\,600 \checkmark} \times 365 \checkmark \\  1\,641\,600 \checkmark \\  \text{see 3.2.1 (COS)} \\  \text{OR: IF UNITS ARE USED} \\  \begin{array}{ccc}  \text{one mark} & \text{one mark} & \\  \underline{380} & \times 365 & \\  2\,880 & & \\  \text{one mark} & &   \end{array}  \end{array}  $	48,2 days <input checked="" type="checkbox"/> one part correct
$  \begin{array}{ccc}  \text{OR} & & \text{one mark} \\  & & \underline{380} \\  & & 2\,880 / 365 \\  & \text{one mark} & \text{one mark}  \end{array}  $	

4





## 3.2.3

Calculate: Value of closing stock using the FIFO method	
Workings	Answer
$400 - 130$ $270 \checkmark \times 610 \checkmark = 164\,700$ <input checked="" type="checkbox"/> one part correct $110 \checkmark \times 580 \checkmark = 63\,800$ <input checked="" type="checkbox"/> one part correct $380 - 270$ see above	$228\,500$ <input checked="" type="checkbox"/> one part correct
<b>State ONE advantage of using the FIFO method.</b> Any ONE point <input checked="" type="checkbox"/> <input checked="" type="checkbox"/> part marks for incomplete / unclear / partial responses <ul style="list-style-type: none"> <li>Higher gross profit because of higher closing stock value / lower cost of sales</li> <li>Purchase price of jeans is always increasing due to demand / inflation</li> <li>Stock valued at the most recent prices; less chance of being obsolete / outdated</li> <li>Gross profit will be based on current market related values</li> <li>Easier to use this method.</li> </ul>	

7

2

## 3.2.4

Calculate the number of jackets stolen.					
Workings	Answer				
$(1\,760 + 6\,500)$ $8\,260 \checkmark - 2\,980 \checkmark - 5\,020 \checkmark$ <b>OR</b> $- 8\,260 + 2\,980 + 5\,020$	$260$ <input checked="" type="checkbox"/> one part correct				
<b>Give TWO solutions to solve the problem.</b> Any TWO valid points <input checked="" type="checkbox"/> <input checked="" type="checkbox"/> <input checked="" type="checkbox"/> part marks for incomplete / unclear / partial responses Expected responses for 2 marks: <table border="1"> <tr> <td><b>Solution 1</b></td><td> <ul style="list-style-type: none"> <li>Count stock regularly and compare against stock records</li> <li>Improve / employ security to control at exit points</li> <li>Install security cameras at strategic points (CCTV)</li> </ul> </td></tr> <tr> <td><b>Solution 2</b></td><td> <ul style="list-style-type: none"> <li>Order smaller quantities, but more frequently as required</li> <li>Staff screening / lockers for staff (if they are suspected)</li> <li>Tracking devices / security tags on products</li> <li>Insure goods so that you can claim on insurance policy</li> </ul> </td></tr> </table>		<b>Solution 1</b>	<ul style="list-style-type: none"> <li>Count stock regularly and compare against stock records</li> <li>Improve / employ security to control at exit points</li> <li>Install security cameras at strategic points (CCTV)</li> </ul>	<b>Solution 2</b>	<ul style="list-style-type: none"> <li>Order smaller quantities, but more frequently as required</li> <li>Staff screening / lockers for staff (if they are suspected)</li> <li>Tracking devices / security tags on products</li> <li>Insure goods so that you can claim on insurance policy</li> </ul>
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4

4

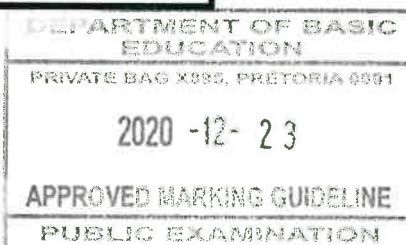
## 3.2.5

The internal auditor is concerned about the stock levels and selling price of jackets. Explain reasons for his concern, with figures, and give different advice in EACH case.		
Be alert to advice that may apply to both, such as 'reduce mark-up%'		
Concern	Explanation (with figures) <input checked="" type="checkbox"/> <input checked="" type="checkbox"/> <input checked="" type="checkbox"/> <input checked="" type="checkbox"/>	Advice <input checked="" type="checkbox"/> <input checked="" type="checkbox"/>
<b>Stock level</b>	Stock holding period increased from (103 days) to 216 days (by 113 days) / high closing stock balance 2 980 (1 220 more than opening stock / 36% of available stock; possible obsolescence or theft)	Clearance sale to get rid of excess stock / Order in line with demand
<b>Selling price</b>	Mark-up % increased (from 70%) to 107% (to R1 450 or by R380) Customers find the price of R1 450 as being too high	Reduce mark-up% / selling price / Offer trade discounts / Advertise to increase customers

6

TOTAL MARKS

40



## QUESTION 4

4.1

	Workings	Answer
(i)	<b>Cost of land and buildings at beginning of year</b> $9\,650\,000 + 850\,000$ Award one mark if this working is shown without the final answer given	R10 500 000 ✓✓
(ii)	<b>Depreciation of vehicles for the year</b> <b>New:</b> $625\,000 \times 20\% \times 3/12 = 31\,250$ ✓✓ one part correct <b>Old:</b> $1\,281\,000 \times 20\% = 256\,200$ ✓✓ one part correct	R287 450 ✓ one part correct
(iii)	<b>Disposal of equipment</b> $21\,000 \checkmark - (15\,000 \checkmark + 450 \checkmark \checkmark)$ one part correct 15 450 three marks	R5 550 ✓ one part correct
(iv)	<b>Accumulated depreciation of equipment</b> $200\,000 \checkmark + 42\,450 \checkmark - 15\,450 \checkmark$ see (iii) above	R227 000 ✓ one part correct

16

(iii) and (iv) accept as workings: Ledger format; signs reversed; brackets

4.2

## ORDINARY SHARE CAPITAL:

## ISSUED SHARE CAPITAL

800 000	Shares in issue at beginning	4 800 000
400 000 ✓	shares issued during year	3 600 000 ✓ balancing figure
(60 000)	shares re-purchased (ASP: R7.00 )	(420 000) ✓✓
1 140 000 ✓*	shares in issue at end closing number of shares x R7.00	7 980 000 ✓✓*

-1 P if no details (max -1)

\*one part correct

7

## RETAINED INCOME:

Balance at beginning	1 181 250
Net profit after tax	2 534 400
Shares re-purchased 60 000 ✓ x R3,80 ✓ OR 648 000 – 420 000 10,80 – 7,00	(228 000) ✓* ignore brackets
Dividends	(2 377 200) ✓ ignore brackets operation
Interim 1 200 000 ✓ x 124 cents ✓ or 124% or x 1,24 or 124/100	1 488 000 ✓*
Final	889 200
Balance at end operation; shares repurchased and OSD must be subtracted	1 110 450 ✓ *one part correct

8

### 4.3 BALANCE SHEET (STATEMENT OF FINANCIAL POSITION) ON 31 MARCH 2020

<b>ASSETS</b>		
<b>Non-current assets</b>		<b>11 458 500</b>
<b>Fixed assets at carrying value</b>		<b>11 458 500</b>
<b>Current assets</b>	TA – 11 458 500	2 715 750 <input checked="" type="checkbox"/>
<b>Inventories</b>	balancing figure	1 303 850 <input checked="" type="checkbox"/>
<b>Trade and other receivables</b> (881 000 ✓ + 2 500 ✓✓ + 41 900 ✓ + 32 500 ✓✓) 7		957 900 <input checked="" type="checkbox"/> *
<b>Cash and cash equivalents</b>		<b>454 000</b>
<b>TOTAL ASSETS</b>	11 See Total Equity + Liabilities	<b>14 174 250 <input checked="" type="checkbox"/><input checked="" type="checkbox"/></b>
<b>EQUITY AND LIABILITIES</b>		
<b>Ordinary shareholders' equity</b>	OSC + RI	9 090 450 <input checked="" type="checkbox"/>
<b>Ordinary share capital</b>	see 4.2 OSC	7 980 000 <input checked="" type="checkbox"/>
<b>Retained income</b>	3 see 4.2 RI	1 110 450 <input checked="" type="checkbox"/>
<b>Non-current liabilities</b>		2 382 000
<b>Mortgage loan:</b> 642 000 two marks – 258 000 one mark (2 508 000 ✓ + 258 000 ✓ – 384 000 ✓✓✓) 6		2 382 000 <input checked="" type="checkbox"/> *
<b>Current liabilities</b>		2 701 800 <input checked="" type="checkbox"/> *
<b>Trade and other payables*</b> could include other CL items (1 318 000 ✓ + 32 000 ✓ + 65 000 ✓✓)		1 415 000 <input checked="" type="checkbox"/> *
<b>Shareholders for dividends</b>	see 4.2	889 200 ✓✓
<b>SARS: Income tax (985 600 ✓✓ – 972 000 ✓) #</b>		13 600 <input checked="" type="checkbox"/> *
<b>Current portion of loan</b>	see NCL above	384 000 <input checked="" type="checkbox"/>
<b>TOTAL EQUITY AND LIABILITIES</b>	14 SE + NCL + CL	<b>14 174 250 <input checked="" type="checkbox"/></b>

\*one part correct

34

-1 foreign items (max -2); misplaced items: mark workings only. -1 Presentation (no details) max -1  
# SARS: Income tax could be a DR (CA) if Income tax incorrectly calculated

65



## QUESTION 5

5.1

5.1.1	External ✓
5.1.2	Directors ✓
5.1.3	Balance Sheet ✓
5.1.4	Cash Flow Statement ✓

4

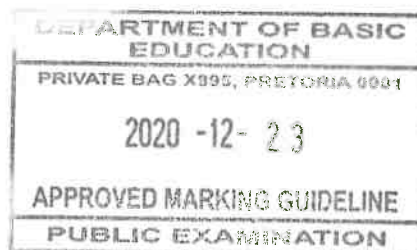
5.2

## BOMBAY LTD

CASH FLOW STATEMENT FOR YEAR ENDED 29 FEBRUARY 2020		
<b>CASH EFFECTS OF OPERATING ACTIVITIES</b>		
<b>Cash generated from operations</b>		
<b>Interest paid</b>		
<b>Income tax paid</b>		
4	<b>Dividends paid</b> 121 000 two marks	
	126 000 ✓ + 286 000 ✓ – 165 000 ✓ OR	(247 000) ✓*
	– 126 000 – 286 000 + 165 000	
	Accept other arrangements for calculations eg: brackets ; ledger account	
<b>CASH EFFECTS OF INVESTING ACTIVITIES</b>		
5	<b>Fixed assets purchased</b>	
	4 830 000 ✓ + 34 500 ✓ + 312 600 ✓ – 3 760 100 ✓ OR	(1 417 000) ✓*
	– 4 830 000 – 34 500 – 312 600 + 3 760 100	
	Accept other arrangements for calculations eg: brackets ; ledger account	
1	<b>Proceeds from the sale of fixed assets</b>	34 500 ✓
<b>Change in fixed deposit</b>		
<b>CASH EFFECTS OF FINANCING ACTIVITIES</b>		
1	<b>Proceeds from shares issued</b>	1 240 000 ✓
5	<b>Repurchase of shares</b>	
	5 880 000 ✓ – 1 240 000 ✓ – 5 360 000 ✓ – 96 000 ✓ OR	(816 000) ✓*
	– 5 880 000 + 1 240 000 + 5 360 000 + 96 000	
	OR 120 000 one mark x 6,80 three marks	
2	<b>Change in loan</b> 1 300 000 – 950 000	(350 000) ✓✓
	one mark if 350 000 with no brackets	
<b>NET CHANGE IN CASH AND CASH EQUIVALENTS</b>		
	operation (from bottom)	(82 700) ✓
	<b>Cash and cash equivalents (opening balance)</b>	56 400 ✓
4	<b>Cash and cash equivalents (closing balance)</b>	(26 300) ✓✓
	– 28 800 + 2 500	one part correct

22

\* one part correct and must be in brackets / if no brackets, full marks for workings  
If inappropriate use of brackets, or not, full marks cannot be earned on that line.



5.2.2

Calculate: % operating profit on sales	
Workings	Answer
$\frac{1\,122\,500 \checkmark}{4\,824\,000 \checkmark} \times 100$	23,3% <input checked="" type="checkbox"/> one part correct; accept 23% express as %; sign not necessary
Calculate: Acid-test ratio (NOTE: The current ratio is 1,6 : 1.)	
Workings	Answer
774 000 x 1,6 two marks (1 238 400 $\checkmark\checkmark$ – 619 000 $\checkmark$ ) : 774 000 $\checkmark$ 619 400 three marks	0,8 : 1 <input checked="" type="checkbox"/> one part correct as x : 1
Calculate: Net asset value (NAV) per share	
Workings	Answer
6 422 800 two marks (5 880 000 $\checkmark$ + 542 800 $\checkmark$ ) x 100 980 000 $\checkmark$ <input checked="" type="checkbox"/> one part correct (900 000 + 200 000 – 120 000)	655,4 cents <input checked="" type="checkbox"/> one part correct or 655 cents accept R6,55

Note: The 100 is not regarded as 'one part correct' for the method mark

5.3

## TWO COMPANIES: LULU LTD AND COCO LTD

5.3.1

Explain which company has the better liquidity. Quote TWO financial indicators to support your opinion.

Part marks for incomplete / unclear / partial explanation

Explanation and Financial Indicators for Lulu:

Liquidity ratios of Lulu Ltd  $\checkmark$  are more efficient  $\checkmark$  than that of Coco Ltd.Current ratio 1,7 : 1  $\checkmark$ Acid test ratio 0,9 : 1  $\checkmark$ 

OR

Explanation and Financial Indicators for Coco:

Liquidity ratios of Coco Ltd one mark are higher / they have more CA one mark

Coco has more liquid assets than stock (0,6 : 1 compared to 0,8 : 1 in Lulu)

Current ratio 4,2 : 1 one mark

Acid test ratio 3,6 : 1 one mark

5.3.2

Comment on the earnings per share and the % return on equity of Lulu Ltd. Give TWO reasons why the shareholders will be satisfied with these indicators. Quote figures.

Financial indicators with figures and trend  $\checkmark\checkmark$   $\checkmark\checkmark$  Explanation  $\checkmark$ 

EPS increased (from 233 cents) to 273 cents (by 40 cents / 17,2%)

ROSHE increased (from 14%) to 25% (by 11% / 78,6%)

This exceeds the returns on alternative investments (such as interest on fixed deposits which is 6%).



5.3.3

**Comment on the market value of the shares in Coco Ltd. Explain TWO points. Quote figures.**

TWO valid points. ✓ ✓ Figures ✓ ✓

- **Compare to NAV:** Market value of R18,80 is higher than the NAV of R17,86 (by 0,94). Indicates good demand for the shares / positive image of the company / company is doing well.
- **Compare to purchase price:** He originally bought the shares for R28,00 but the market price is now R18,80 (indicates poor financial return)

4

5.3.4

**Compare the dividend pay-out rates of both companies and explain why the directors of EACH company decided on these pay-out rates. Quote figures or calculations.**

**Lulu Ltd:** 110c (DPS)/273 cents(EPS) or 40,3% ✓

They retained 59,7% of the EPS for future growth / expansion ✓

**OR** This is to benefit shareholders through the NAV and share price

**Coco Ltd:** 200c (DPS)/171 cents (EPS) or 117% ✓

They decided to keep shareholders happy / reward shareholders for low dividends in previous years / have no plans for growth ✓

Be alert to different presentation of information.

4

5.3.5

**Noah says that the dividend of 110 cents per share he earned from Lulu Ltd is better than the dividend of 200 cents per share from Coco Ltd. Give ONE point to prove that he is incorrect. Quote figures or calculations.**

ONE explanation / comparison (with figures)

No marks for individual / random amounts stated.

200 cents – 110 cents = 90 cents more per share was earned in Coco Ltd.

✓

✓

✓

✓

**OR:** He earned 90 cents more per share in Coco Ltd. four marks

Also be alert to learners who commented in the following way to prove Noah is correct:

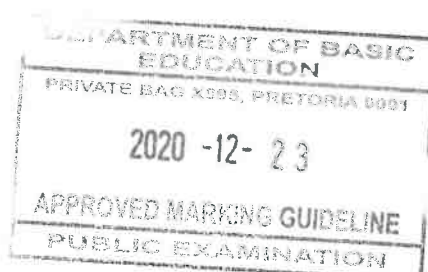
In Lulu Ltd, he earned 110c on a share which cost him 700c (16%) two marks

In Coco Ltd, he earned 200 cents on a share which cost him 2 800c (7%) two marks

**OR:**

In total he earned dividends of R440 000 from Lulu Ltd, and R200 000 from Coco Ltd four marks

4



5.3.6

**Comment on the risk and gearing of EACH company. Quote TWO financial indicators.**

THREE marks per company: Financial Indicator with figure and Comment  
Accept the correct figures (if financial indicators are not mentioned)

**Lulu Ltd:**

Debt/equity ratio is 0,8 : 1 ✓

ROTCE is 20% ✓

Comment ✓

The business makes extensive use of loans (high risk) /

ROTCE is higher than the interest rate of 13%, indicating positive gearing

**Coco Ltd:**

Debt/equity ratio is 0,2 : 1 ✓

ROTCE is 10% ✓

Comment ✓

The business does not rely on loans (low risk) /

ROTCE is lower than interest rate of 13%, indicating negative gearing

Arrangement of information may vary; financial indicators and/or comment may be compared in the same statement

6

5.3.7

**Noah wants to buy shares in Lulu Ltd on the JSE at current market value to become the majority shareholder and CEO. Calculate how much Noah will have to pay for the shares that he needs.**

**Workings**

$$1\ 100\ 000 / 2 + 1$$

$$(550\ 001 \checkmark - 400\ 000 \checkmark) \times R9,50 \checkmark = R1\ 425\ 009,50 \checkmark \text{ one part correct}$$

150 001 two marks

OR  $50\% + 100$

$$(550\ 100 - 400\ 000) \times R9,50 = R1\ 425\ 950$$

150 100

OR  $51\%$

$$(561\ 000 - 400\ 000) \times R9,50 = R1\ 529\ 500$$

161 000

OR  $14\% \times 1\ 100\ 000$  or  $15\%$  or  $13,7\%$

$$154\ 000 \times R9,50 = R1\ 463\ 000$$

4

**TOTAL MARKS**

**70**

**QUESTION 6**

6.1

6.1.1	False ✓
6.1.2	True ✓
6.1.3	True ✓

Accept T or F

3

6.2

**KURUMAN (PTY) LTD**

6.2.1

**Calculate the missing amounts indicated by (i) and (ii) in the Debtors' Collection Schedule.**

	Workings	Answer
(i)	41 250 x 38/100	15 675 ✓✓ one part correct
(ii)	16 530 x 100/38 OR 25 056 x 100/60 x 100/96 OR 130 500 x 25/75	43 500 ✓✓ one part correct

4

**Calculate the percentage discount allowed to debtors who settle in the month of the sales transactions.**

Workings	Answer
<p>990 three marks</p> $\frac{41\,250 \times 60\% - 23\,760}{41\,250} \times 100$ <p>OR: July: <math>\frac{1\,152}{28\,800}</math>      June: <math>\frac{1\,044}{26\,100}</math></p>	4% ✓ one part correct as a %, sign not necessary

5

6.2.2

**Calculate budgeted amounts:**

	Workings	Answer
<b>Total sales for July 2020</b>	48 000 ✓ + 144 000 ✓ OR 48 000 x 100/25 OR 144 000 x 100/75	192 000 ✓ one part correct 3
<b>Payment to creditors during June 2020</b>	123 750 + 41 250 / 41 250 x 100/25 / 123 750 x 100/75 165 000 ✓ x 100/150 ✓ x 80% ✓ OR 22 000 x 80/20 one mark two marks	88 000 ✓ one part correct 4
<b>Additional loan to be acquired on 1 June 2020</b>	(7 500 – 6 000) 1 500 ✓ x 100/20 ✓ x 12 ✓ OR 1 500 x 12 / 20% one mark one mark one mark OR 450 000 – 360 000 two marks one mark Be aware of alternative ways to calculate this figure	90 000 ✓ one part correct 4

11



6.2.3

**The directors did not adhere to the Cash Budget during May 2020. Identify TWO overpayments. Provide figures. Give a valid reason for EACH overpayment.**

	Overpayment (with figures)	Reason
Point 1	Advertising ✓ Paid R8 400 or R2 800 more than budgeted or 50% over the budget ✓	Wanted to increase sales ✓ OR Special clearance sales required greater advertising.
Point 2	Vehicle maintenance ✓ Paid R36 350 or R24 150 more than the budgeted or 198% over the budget ✓	To get a reasonable price when vehicle was sold / in order to use vehicle until replaced ✓ OR Vehicles are old or damaged OR used more frequently for free deliveries to increase sales

6

6.2.4

**Why are the auditors concerned that the agreement with Tradecor is unethical or possibly a crime? Explain THREE points.**

Any THREE valid concerns ✓✓ ✓✓ ✓✓ part marks for incomplete / unclear / partial responses

Point 1	<ul style="list-style-type: none"> <li>The property was sold at carrying value (which is its original cost / historical cost concept)</li> <li>Property appreciates in value and should be have been sold at a market-related price.</li> </ul>
Point 2	<ul style="list-style-type: none"> <li>The company could have benefitted from a large profit on sale of asset and an improved profitability.</li> <li>Total assets are depleted / valuable asset disposed</li> </ul>
Point 3	<ul style="list-style-type: none"> <li>Corruption / under-handed / unethical deal to enrich CEO and his wife (nepotism); no transparency or involvement of the Board of Directors in this decision</li> </ul>
Other valid answers	<ul style="list-style-type: none"> <li>Consciously placing the business at financial risk / cash flow problems due to rent of R26 000 per month that must be paid and not budgeted for.</li> </ul>

6

# the same point (concern) can be stated differently / repeated.  
Award marks for appropriate responses not included in the list above.

TOTAL MARKS
35

TOTAL: 300

