



# basic education

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

## NATIONAL SENIOR CERTIFICATE

GRADE 12

ACCOUNTING

NOVEMBER 2018

MARKING GUIDELINES

**MARKS: 300**

### MARKING PRINCIPLES:

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

**These marking guidelines consist of 17 pages.**

**QUESTION 1**

1.1

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

3
---

**1.2 KRIGE SHIRTS**

1.2.1

**Calculate direct labour cost.**

3 ✓ x 1 960 ✓ x 90 ✓	529 200	three marks
529 200 (normal time) x 12%	63 504	✓✓ if 12% of normal time
1 x 1 680 x 90	151 200	✓✓ one part correct
	12 146	✓
	756 050	✓ one part correct

529 200 x 112%  
592 704 + 151 200 + 12 146 = 756 050  
five marks      two marks      one mark      one method mark

705 600                      -25 200                      63 504  
(4 x 1 960 x 90) – 90 (1 960 – 1 680) + (3 x 1 960 x 12%) + 12 146 = 756 050  
three marks                      two marks                      two method marks                      one mark                      one method mark

705 600                      84 672                      -25 200                      -9 022  
(4 x 1 960 x 90) + (705 600 x 12%) – 90(1 960 – 1 680) + (21 168 – 12 146) = 756 050  
three marks                      two marks                      two method marks                      one mark                      one method mark

9
---

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

<b>Direct material cost</b>	<b>528 300</b>
Direct labour cost <span style="float: right;">see 1.2.1</span>	756 050 ✓
<b>Prime cost</b> <span style="float: right;">if DMC + DLC</span>	<b>1 284 350</b> ✓
Factory overhead cost      20 000 three marks      45 000 two marks 360 880 ✓ + <sup>4</sup> / <sub>9</sub> ✓ x (48 750 ✓ - 3 750 ✓)  one mark                      one mark      one mark + one mark for both 360 880      + (21 667 – 1 667)  one mark      two marks      one mark for both 360 880 + (45 000 – 15 000 – 10 000)	380 880 ✓ one part correct
<b>Total production cost</b> <span style="float: right;">Operation</span>	<b>1 665 230</b> ✓
<b>Work-in-progress (1 August 2017)</b>	35 570 ✓
	1 700 800
Work-in-progress (31 July 2018) <span style="float: right;">balancing figure</span>	(38 300) ✓
<b>Cost of production of finished goods</b>	<b>1 662 500</b> ✓✓

12
----

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

**1.3 GEMMA'S MANUFACTURERS**

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

118 860 two marks $\begin{array}{r} 67\,200 \checkmark + 51\,660 \checkmark \\ 910 \checkmark - 577 \checkmark \\ \hline \end{array}$ (180 + 252 + 145) one mark -180 – 252 – 145 one mark 333 two marks			
= 356,9 OR 357 units <input checked="" type="checkbox"/> one part correct	<table border="1" style="width: 100%; height: 100%; border-collapse: collapse;"> <tr><td style="height: 20px;"> </td></tr> <tr><td style="text-align: center;">5</td></tr> </table>		5
5			

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

Part-marks for partial answers

**Compulsory response:**  
 Comparison of the BEP with the level of production of 2018 ✓✓ Figures ✓  
 Business produced 63 units (15%) more than the BEP (420 – 357) see 1.3.1  
 OR:  
 The business made a profit on only 63 units (420 – 357) compared to 105 units last year (540 – 435)

**Other optional responses:**  
 Comparison of 2017 and 2018 BEP or production ✓✓ Figures ✓

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

6

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

**REASONS:**  
 Any TWO valid reasons. ✓✓ ✓✓ Part marks for partial/incomplete answers.  
 Inflationary increases / transport costs / increase in fuel price / scarcity.  
 Wastage due to poor workmanship.  
 Theft of material (in the factory) due to poor internal controls.  
 VAT increased to 15%  
 Change in exchange rate (if raw materials imported)  
 Changed suppliers (more expensive) / Better quality raw materials

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

Look for cheaper suppliers without compromising quality.  
 Negotiate transport and delivery discounts.  
 Take advantage of bulk discounts.  
 Recycle waste material / use off-cuts  
 Train and supervise workers to minimise wastage.  
 Control stock regularly to identify shortages.  
 Buy stock as required to avoid stock piling and possible theft.

5

<b>TOTAL MARKS</b>
40



**2.2 CREDITORS' RECONCILIATION**

2.2.1

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

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

13

**2.2.2 The internal auditor insists that direct payments (EFTs) must be used to pay suppliers.**

**Explain ONE reason to support his decision.**  
 ONE reason ✓✓ part-marks for partial / incomplete answers  
 It is quick and easy / easier to monitor / efficient / convenient / safer/ cheques may be lost / not time-bound (business hours) / less bank charges / no need to keep track of outstanding cheques / makes claiming cash discounts easier / avoid interest on late payments

2

**Explain ONE internal procedure to ensure control over this system.**  
 ONE internal control measure ✓✓ part-marks for partial / incomplete answers  
**For two marks:**  
 Senior personnel authorized to make internet payments  
 Two people to authorise an EFT transaction (allocation of duties)  
 Security codes for users (unique codes) / change codes regularly  
 Notification from bank (sms / email) when payments are effected  
**For one mark:** Division of duties

2

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

ONE valid point ✓✓ Part-marks for partial or unclear answer  
 Disciplinary hearing / criminal or civil charge / suspension / demotion / transfer to another department / deductions from his salary / written warning

**Provide ONE suggestion to prevent this problem in future.**  
 ONE valid suggestion ✓✓ Part-marks for partial or unclear answer  
 Division or rotation of duties / one person check orders, the other receives stock / Stock records to be updated with every invoice / Proper authorization of orders / Ensure goods received at the gates are supported by order form and invoice / Regular stocks counts to compare to records

4

<b>TOTAL MARKS</b>
<b>35</b>



**3.2.2 ORDINARY SHARE CAPITAL****AUTHORISED SHARE CAPITAL**

<b>1 600 000 ordinary shares</b>
----------------------------------

**ISSUED SHARE CAPITAL**

If no brackets, check operation

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

7

**RETAINED INCOME**

If no brackets, check operation

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

**3.2.3 EQUITY AND LIABILITIES SECTION OF THE BALANCE SHEET**

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

16

\* one part correct

**3.3 AUDIT REPORT****3.3.1**

Point 1

**Opinion** ONE valid point ✓  
The auditors found no problem to report / unqualified report / statistical sampling used / met the required standard

1

Point 2

**IFRS and Companies Act** ONE valid point ✓✓ Part-mark for partial answer  
**For two marks:** Must cover local & global points  
Companies operate in local and international contexts / may have local and international shareholders / compliance with national and international laws and standards / companies may operate on a global market and engages in international trade and locally / shareholders (investors) may come from all parts of the world / readers in any this country and other countries can understand how financial statements are prepared or presented  
**For one mark:** Partial / incomplete answer  
Comply with standards or laws / must comply with South African Companies Act / must comply with international standards

2

Point 3

**Independent** ONE valid point ✓✓ Part-mark for partial answer  
Their opinion is unbiased / they have no personal interest in the company / No conflict of interest / They are authentic. They have high international standards of professionalism to maintain / They have a code of conduct.

2

**3.3.2**

Point 4

**TWO examples of ethical responsibilities:**  
Any TWO valid examples ✓✓ ✓✓ Part-mark for partial answer  
No colluding with management to overlook any material matter.  
No accepting bribes or engaging in corruption.  
Care taken in completing the audit and expressing the opinion.  
The readers can rely on the information in the financial statement.  
Being honest in their duties / have integrity / truthfulness / unbiased.  
Complying with King Code or GAAP / Keep up to date with new requirements.

4

Point 5

**TWO examples of audit evidence:**  
Any TWO valid example ✓✓ ✓✓ Part-mark for partial answer  
Check the internal controls and the efficiency of the internal audit.  
Source documents (provided by external organisations, provide verification)  
Records such as asset registers, stock records etc.  
Policies and procedures of the company  
Report of an audit committee which assess the internal and external audit processes / Internal auditors report on ensuring internal controls are efficient)

4

**TOTAL MARKS**

75

**KEEP THIS PAGE BLANK.**

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

Workings	Answer
$\frac{1\,900\,000}{13\,182\,000} \times 100$	14,4% ✓ <input checked="" type="checkbox"/>
	one part correct; accept 14% % sign not necessary

2

**4.1.2 Calculate: Acid test ratio**

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

4

**4.1.3 Calculate: % return on shareholders' equity**

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

4

**4.2 FIGURES FOR 2018 CASH FLOW STATEMENT**

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

**4.2.1 Calculate: Change in investments**

Workings	Answer
	25 000 ✓✓

2

**4.2.2 Calculate: Income tax paid**

Workings	Answer
$819\,000 \checkmark - 15\,000 \checkmark - 74\,000 \checkmark$	730 000 ✓ <input checked="" type="checkbox"/>
OR – $819\,000 + 15\,000 + 74\,000$	one part correct
OR ledger account form OR brackets	

4

**4.2.3 Calculate: Fixed assets sold (at carrying value)**

Workings	Answer
$-12\,154\,000 \checkmark - 412\,000 \checkmark + 4\,840\,000 \checkmark + 8\,031\,000 \checkmark$	305 000 ✓ <input checked="" type="checkbox"/>
Or: $12\,154\,000 + 412\,000 - 4\,840\,000 - 8\,031\,000$	one part correct
Or: $4\,560\,000 - 4\,840\,000 - 25\,000$ one mark      one mark      two method marks (see 4.2.1)	

5

**4.3 EXPLANATIONS ON CASH FLOW STATEMENT****4.3.1**

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

ONE valid point ✓✓ relevant figure/s ✓

Part-marks for partial or unclear answers

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

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

OR

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

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

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

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

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

**4.3.2**

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

	Points (with figures)
<b>Decision 1 (with figures)</b>	✓ Issued shares (rights issue): R4m ✓
<b>Decision 2 (with figures)</b>	✓ Sale of fixed assets R305 000 ✓ <input checked="" type="checkbox"/> see 4.2.3
<b>Decision 3 (with figures)</b>	✓ Cash generated from operations; part of R1,85m ✓ / increase of R804 000
Any other valid point e.g.	<ul style="list-style-type: none"> <li>• Items that may influence cash generated from operations R3,32m</li> <li>• Increase in sales R5,4m / due to lower mark-up 72% to 58%</li> <li>• Tax not paid R74 000</li> <li>• Better collection from debtors (820 000 – 365 000)</li> </ul>

**Explain how these decisions affected the capital employed in the 2018 financial year. Quote figures. Any ONE of: Must quote appropriate figures ✓✓**

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

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

**TWO** relevant financial indicators ✓ ✓ figures and trend ✓ ✓

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

**4.3.3**

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

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

**4.4 DIVIDENDS, RETURNS AND SHAREHOLDING**

**4.4.1 Calculate: Total interim dividends paid for the 2018 financial year**

Workings	Answer
$\begin{array}{ccc} \checkmark & & \checkmark \\ 520\,000 & - & 280\,000 \end{array}$	<input checked="" type="checkbox"/> R240 000 one part correct

**Calculate: Interim dividends per share for the 2018 financial year**

Workings	Answer
$\frac{\text{see above} \quad 240\,000 \quad \checkmark}{800\,000 \quad \checkmark} \times 100$	30 cents <input checked="" type="checkbox"/> one part correct accept 30 or R0,30

6
---

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

Workings	Answer
$\begin{array}{ccc} \checkmark & \text{see 4.4.1} & \checkmark & \checkmark \\ (380\,000 \times 0,3) & + & (490\,000 \times 0,75) \\ 114\,000 \text{ two marks} & & 367\,500 \text{ two marks} \end{array}$	481 500 <input checked="" type="checkbox"/> one part correct

5
---

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

Workings	Answer
$\begin{array}{ccc} \checkmark & & \checkmark \\ 500\,000 & - & 490\,000 \\ 1\,000\,000 \text{ shares} \times 50\% & & \text{Dudu's shares} \end{array}$ <p>+1 or +2 or + 100 or 51%</p> OR: 500 001 – 490 000	10 001 or 10 002 OR 10 100 OR 20 000 <input checked="" type="checkbox"/> one part correct

OR: Accept all figures above in addition to the 110 000 already bought,  

$$500\,000 - 380\,000 + 1 \text{ or } +2 \text{ or } + 100 \text{ or } 51\%$$

$$= 120\,001 \quad 120\,002 \quad 120\,100 \quad 130\,000$$

Response for one mark:  
 She could have bought 152 000 shares (i.e.  $380\,000 \times \frac{2}{5}$ )

3
---

4.5.1

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

✓✓ Any valid explanation e.g.

Part-marks for unclear / incomplete answers

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

2

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

Identify positive effect ✓

Figures ✓✓

one mark for figure without implied comparison

comparison may be implied by the figures for two marks

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

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

3

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

Identify positive effect ✓

Figures ✓✓

one mark for figure without implied comparison

comparison may be implied by the figures for two marks

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

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

3

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

**Advice on what to say on earnings per share:**

Explanation/trend ✓

Figures ✓✓

comparison may be implied by the figures for two marks

one mark for figure without implied comparison

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

3

**Advice on what to say on % return earned:**

Explanation/trend ✓

Figures ✓✓

one mark for figure without implied comparison

comparison may be implied by the figures for two marks

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

3

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

Explanation/trend ✓

Figures ✓✓

one mark for figure without implied comparison

comparison may be implied by the figures for two marks

Market price increased R21,00 → R28,00

Exceeds NAV R8,99 → R12,11

3

<b>TOTAL MARKS</b>
70

**QUESTION 5**

5.1

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

4
---

**5.2 PACKER'S SUITCASE SHOP**

5.2.1

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

one mark      one mark

$$425 \checkmark \times R3\,040 \checkmark = 1\,368\,000 - 76\,000 = R\,1\,292\,000$$

450 - 25

$$71 \checkmark \times R2\,930 \checkmark = R\,208\,030$$

496 - 425 or units above

---

**R 1 500 030**  one part correct

5
---

5.2.2

**Charles suspects that suitcases have been stolen. Provide a calculation to support his concern.**

Choose the line which best benefits the candidates.

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

✓          ✓          ✓          ✓           one part correct

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

5
---

5.2.3

**Charles is concerned about the volume of stock on hand. Calculate for how long his closing stock is expected to last.**

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

8 460 850 - 76 000

9 298 350 two marks / 7 798 320 three marks

= 70,2 days  one part correct    OR    COS: 913 500 + 1 912 500 + 2 616 600 + 2 355 720

OR: 2,3 months one mark [one mark one mark] max. three marks

OR: IF UNITS ARE USED:

two marks   one mark   one method mark                      two marks   one mark   one method mark

$$\frac{496 \checkmark \times 12 = 1,95 \text{ months}}{3\,050 \text{ two marks}} \quad \text{OR} \quad \frac{496 \checkmark \times 365 = 59,4 \text{ days}}{3\,050 \text{ two marks}}$$

6
---

**ONE problem with keeping too much stock on hand:** ONE point ✓✓  
Part-mark for partial answer

Can become obsolete and therefore useless to customers.  
Staff may see less movement in stock and decide to steal.  
Cost of storage / lack of storage space.

**ONE problem with keeping insufficient stock on hand:** ONE point ✓✓  
Part-mark for partial answer

Will not meet the needs of consumers – they may go elsewhere to buy.  
Loss of income from sales.

4
---

**5.3 MINDEW LIMITED**

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

17

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

- Any ONE point ✓✓ Part-marks for unclear / incomplete answers
- Conduct physical inspection (regular and random)
  - Compare to fixed asset register

2

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

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

2

<b>TOTAL MARKS</b>
45



**6.4 Refer to Information E:**

**6.4.1 Explain the effect of the new competitor on any TWO items in the budget for September. Provide figures.**

TWO valid points ✓ ✓ figures ✓ ✓

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

<b>4</b>

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

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

**Do not accept advertising (no change)**

<b>6</b>

**6.4.3 Explain why Donald feels that his decisions were successful. Provide TWO points (with figures).**

TWO valid points (with figures) ✓✓ ✓✓ **Be aware of two points within one explanation**

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

<b>4</b>

<b>TOTAL MARKS</b>
<b>35</b>

**TOTAL: 300**