



basic education

Department:
Basic Education
REPUBLIC OF SOUTH AFRICA

SENIOR CERTIFICATE EXAMINATION

ACCOUNTING

2015

MEMORANDUM

MARKS: 300

MARKING PRINCIPLES:

1. Penalties for foreign items are applied only if the candidate is not losing marks elsewhere in the question for that item (no foreign item penalty for misplaced item). No double penalty applied.
2. Full marks for correct answer. If the answer is incorrect, mark the workings provided.
3. If a pre-adjustment figure is shown as a final figure, allocate the part-mark for the working for that figure (not the method mark for the answer).
4. Unless otherwise indicated, the positive or negative effect of any figure must be considered to award the mark. If no + or – sign or bracket is provided, assume that the figure is positive.
5. Where indicated, part-marks may be awarded to differentiate between differing qualities of answers from candidates.
6. Where penalties are applied, the marks for that section of the question cannot be a final negative.
7. Where method marks are awarded for operation, the marker must inspect the reasonableness of the answer before awarding the mark.
8. In awarding method marks, ensure that candidates do not get full marks for any item that is incorrect at least in part.
9. Codes: f = foreign item; p = placement/presentation.

This memorandum consists of 17 pages.

QUESTION 1**BANK RECONCILIATION****1.1.1 CASH RECEIPTS JOURNAL**

NAME OF ACCOUNT AFFECTED IN THE GENERAL LEDGER	AMOUNT
Interest income/current account ✓	860 ✓
Creditors' control ✓	1 800 ✓✓
Drawings ✓	2 000 ✓

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CASH PAYMENTS JOURNAL

NAME OF ACCOUNT AFFECTED IN THE GENERAL LEDGER	AMOUNT
Bank charges ✓	840 ✓
Debtors' control ✓	6 800 ✓
Loss due to theft ✓	16 000 ✓
Insurance ✓	880 ✓

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1.1.2 BANK RECONCILIATION STATEMENT ON 31 MAY 2015

	DEBIT	CREDIT
Cr balance as per bank statement		9 175 ✓
Cr outstanding deposits 14 May 2015		15 500 ✓
29 May 2015		20 200 ✓
Dr outstanding cheques No. 1590	12 600 ✓✓	
No. 1660	5 600 ✓	
No. 1698	7 555 ✓	
Cr amount wrongly debited		880 ✓
Dr balance as per the bank account	20 000 ☑	
	45 755	45 755 ☑

10

OR

Balance as per bank statement		9 175 ✓
Outstanding deposits 14 May 2015		15 500 ✓
29 May 2015		20 200 ✓
Outstanding cheques No. 1590		(12 600) ✓✓
No. 1660		(5 600) ✓
No. 1698		(7 555) ✓
Amount wrongly debited		880 ✓
Balance as per bank account		20 000 ☑☑

10

1.1.3 As internal auditor you are not happy with the manner in which cash is being controlled in this business. Identify TWO problems and provide figures to support your answer. Give advice on how these problems can be avoided in future.

	PROBLEMS IDENTIFIED Problem ✓ ✓ Figures ✓ ✓	ADVICE ✓ ✓
1	R16 000 cash was apparently stolen last month.	<ul style="list-style-type: none"> • Division of duties so that one person serves as a check on the other • Check cash and documents from bank regularly • Request notification of deposits from bank for deposits (sms) • Two people should go to the bank when depositing (security) • Encourage direct electronic transfers instead of handling cash
2	R15 000 should have been deposited on 15 May but have still not been deposited. Possible rolling of cash.	<ul style="list-style-type: none"> • Create a policy for regular, daily depositing

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1.2 CREDITORS' RECONCILIATION

	ACCOUNT OF METEOR SUPPLIERS IN CREDITORS' LEDGER OF COMET TRADERS	STATEMENT RECEIVED FROM METEOR SUPPLIERS
Balance	R10 705	R19 120
A		+1 080 ✓✓
B	+375 ✓	
C	- 200 ✓✓	
D	(2 160 + 2 160) +4 320 (1 mark each) ✓✓	
E		- 5 000 ✓
Final balance	15 200	15 200 ☑

Both
totals

9

TOTAL
MARKS

40

QUESTION 2**2.1.1 FACTORY OVERHEAD COST NOTE**

Indirect material cost	R11 040
Indirect labour cost	33 345
Depreciation ✓	✓ 12 945
Sundry expense (8 400 ✓ x 3 ✓ x $\frac{4}{6}$ ✓)	✓✓16 800
Water and electricity (34 200 x 70%)	✓✓23 940
Operation one part correct	✓98 070

10

PRODUCTION COST STATEMENT FOR THE YEAR ENDED 30 APRIL 2015

Direct material cost (45 000✓xR11,65✓✓) <small>Or 699 000 1 mark x 45/60 two marks</small>	524 250	✓
Direct labour cost (R327 600✓ + 449 280✓✓)	776 880	✓
Prime cost operation DMC+DLC	1 301 130	✓
Factory overhead cost see 2.1.1	98 070	✓
Total manufacturing cost operation PC+FOHC	1 399 200	✓
Work-in-process (1 May 2014)	18 680	
	1 417 880	
Work-in-process (30 April 2015) operation	(170 480)	✓
COST OF PRODUCTION OF FINISHED GOODS (23 100 x R54)	1 247 400	✓✓

14

2.1.2 The accountant is of the opinion that the workers are not properly supervised.

	IDENTIFY SEPARATE PROBLEMS Problems ✓ ✓ Figures ✓✓ ✓✓	POSSIBLE SOLUTION ✓ ✓
Problem 1	The workers worked 1 400 hours normal time compared to 960 hours overtime; 41% of hours worked is overtime. OR They should have worked 1 920 hours normal time. They only worked 1 400 hours normal time.	Workers should be monitored to ensure they work the correct number of normal hours.
Problem 2	The level of production is too low. For the 2 360 hours worked, they should have produced a total number of 28 320 (2 360 x 6 x 2) T-shirts. The business only produced 23 100 T-shirts.	Monitor workers to ensure they produce two T-shirts per hour.

8

2.2 ZIPHO WOODWORK MANUFACTURERS

2.2.1 Should the business be satisfied with the number of tables that were produced and sold during this financial year? Explain. Quote relevant figures in your answer.

Yes ✓ Explanation comparing units produced to BEP ✓✓

The business produced and sold 6 150 units. This is 570 units more than the break-even point of 5 580 units.

No ✓ Explanation comparing units produced to BEP ✓✓

The business is only producing 570 units more than the break-even point of 5 580 units (10%). The profits will be low.

3

2.2.2 Nozipho, the owner of the business, aimed for a profit of R200 000 for this financial year.

How many tables must she make to achieve the target of R200 000 profit? Provide a suitable calculation to support your answer.

446 400 1 mark + 200 000 1 mark

646 400 ✓✓
(150 ✓ – 70 ✓)
80 2 marks

= 8 080 units one part correct

5

TOTAL MARKS
40

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QUESTION 3

3.1.1 What does *FIFO* stand for?

First in First out ✓

1

3.1.2 Calculate the value of closing stock on 28 February 2015 according to the FIFO method.

1 350 ✓ x R95 ✓ R128 250 operation one part correct
 1 350 ✓ x R85 ✓ R114 750 operation one part correct
R243 000 operation one part correct

7

3.1.3 The suppliers informed the owner that the cost price of shampoo will increase to R96 per unit and the carriage will increase to R8 per unit. Calculate the selling price that the owner will have to charge for these goods in order to achieve a mark-up of 60%.

R104 ✓ x $\frac{160}{100}$ ✓
 = R166,40 operation one part correct

3

3.1.4 The insurance company is prepared to pay out only 80% of the total value of the goods destroyed by a fire. Calculate the loss that should be reflected in the Income Statement.

✓ ✓ ✓
 1 050 units x R95 x 20% = R19 950 one part correct
 99 750 : 2 marks

4

3.1.5 The owner has submitted the claim form for the loss of stock as a result of the fire to the insurance company. However, the number of units destroyed in the fire was reflected as 1 500. Explain what you would say to the owner regarding this insurance claim.

Valid explanation ✓✓

- It is unethical to engage in fraudulent claims in a business. The insurance company will not pay out the claim if fraud is detected. He should only claim for 1 050 units.
- They could lose goodwill due to bad publicity should they be exposed.

2

3.2.1	NO.	CALCULATIONS	AMOUNT
	(i)	R900 000 – R224 000	R676 000 ✓
	(ii)	R3 200 000 – R2 500 000	R700 000 ✓
	(iii)	Vehicle 1: R240 000 x 25% = R60 000 Maximum permitted: R15 000 – R1 = R14 999 ✓✓ Vehicle 2: R312 000 x 25% = R78 000 ✓✓	R92 999 ✓ One part correct

7

3.2.2 ASSET DISPOSAL

2014 Nov	30	Equipment ✓	9 200 ✓	2014 Nov	30	Accumulated depreciation on equipment ✓	6 820 ✓ Any one part correct
						(6 400 ✓ + [9 200 ✓ – 6 400 ✓ x 20% ✓ x 9/12 ✓)	
						Loss on disposal of asset ✓	250 ✓
						Bank ✓	Balancing figure 2 130 ✓
			9 200				9 200

13

3.2.3 (a) Explain how the Fixed Assets Register will assist you in your duties as internal auditor. Provide ONE point.

Any valid point ✓✓

- Physical count should agree with register.
- The internal auditor has to verify the physical presence of items listed in the Fixed Assets Register.
- The internal auditor will be able to follow the lifespan of the item of fixed asset and make recommendations for timeous replacements.
- Calculations of depreciation amounts can be checked.

2

(b) The stock of trolleys and baskets is classified as a fixed asset. Give ONE suitable reason for this.

Any valid point ✓✓

- A trolley/basket is expected to have a lifespan of more than 12 (twelve) months.
- The trolleys are not part of trading stock.

2

(c) Identify and explain THREE major problems (with figures) relating to the control of the trolleys and baskets. In EACH case, provide a valid, practical solution to improve the control over these assets.	
PROBLEM WITH FIGURES Problem ✓ ✓ ✓ Figures ✓ ✓ ✓	PRACTICAL SOLUTION TO IMPROVE INTERNAL CONTROL Solution relating to the problem ✓ ✓ ✓ (Do not accept improvement of control as a solution.)
Number of trolleys stolen is $(148 + 112 - 14 - 210) = 36$. Cost of this theft $(36 \times R2\ 000) = R72\ 000$.	All trolleys used should be returned to the business./Can introduce a fee for the return of a trolley./Secure trolleys when not in use.
A large amount of R16 000 has been spent on repairs of baskets./Instead of repairing baskets, 64 new baskets could have been bought.	Before doing repairs to baskets, consider whether it would be more cost-effective to replace old baskets with newer ones.
On a busy day there is not enough trolleys and baskets. For the 420 customers there are only 210 trolleys and 95 baskets (total 305/short of 115).	Buy more baskets as they are easier to control and cheaper to replace (R250).
14 damaged trolleys were written off.(cost of replacement R28 000).	Monitor usage of trolleys to ensure that customers do not abuse them.

9

TOTAL MARKS
50

QUESTION 4

4.1 Write only the letter (A–E) next to the question number.

4.1.1	E ✓
4.1.2	C ✓
4.1.3	D ✓
4.1.4	B ✓

4

4.2.1 See Income Statement on the next page.

4.2.2 Ordinary Share Capital Note

Authorised 1 000 000 ordinary shares		
Issued		
✓700 000	Shares in issue on 1 Mar. 2014	☑5 600 000
✓100 000	Shares issued during the year at R12 each	✓1 200 000
✓(160 000)	Shares bought back (average issued price of R8,50✓)	☑(1 360 000)
640 000	Shares in issue on 28 Feb. 2015	☑ 5 440 000

8

4.2.3 Retained Income Note

Balance at beginning of financial year		✓ 1 368 000
Net profit after tax	see 4.2.1	☑ 1 260 000
Buy back of shares (160 000 ✓ x 60c ✓)	operation one part correct	☑ (96 000)
Dividends	operation one part correct	☑ (1 080 000)
Interim (700 000 ✓ x 80c)	operation one part correct	☑ 560 000
Final (800 000 ✓ x 65c)	operation one part correct	☑ 520 000
Balance at end of financial year	operation one part correct	☑ 1 452 000

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4.2.1 PRINCE LIMITED

INCOME STATEMENT FOR THE YEAR ENDED 28 FEBRUARY 2015

	Sales (14 974 000 ✓ x140/100 ✓ – 53 600 ✓)	<input checked="" type="checkbox"/> 20 910 000
	Cost of sales	(14 974 000)
5	Gross profit	<input checked="" type="checkbox"/> 5 936 000
	Other income	<input checked="" type="checkbox"/> 355 700
	Rent income (374 950 ✓ – 29 500 ✓✓)	<input checked="" type="checkbox"/> 345 450
	Bad debts recovered	✓ 4 150
	Provision for bad debt adjustment (43 600 – 37 500)	✓✓ 6 100
	Gross operating income	<input checked="" type="checkbox"/> 6 291 700
9	Operating expenses	<input checked="" type="checkbox"/> (4 195 900)
	Auditors' fees	147 600
	Advertising	960 000
	Salaries and wages (1300 000 ✓ +17 000 ✓ + 3 000 ✓)	<input checked="" type="checkbox"/> 1 320 000
	Directors' fees (1 130 000 ✓ + 20 500 ✓)	✓ 1 150 500
	Packing material (76 200 ✓ – 8 500 ✓)	✓ 67 700
	Sundry expenses	<input checked="" type="checkbox"/> 164 900
	Bad debts (24 000 ✓ + 42 000 ✓)	✓ 66 000
	Trading stock deficit (1 910 000 – 1 890 000)	✓✓ 20 000
	Depreciation	✓ 299 200
19	Operating profit	<input checked="" type="checkbox"/> 2 095 800
	Interest income (53 260 ✓ + 25 940 ✓)	<input checked="" type="checkbox"/> 79 200
		2 175 000
	Interest expense	✓✓ (375 000)
	Net profit before tax	<input checked="" type="checkbox"/> ✓ 1 800 000
	Income tax	(540 000)
9	Net profit after tax	<input checked="" type="checkbox"/> ✓ 1 260 000

42

TOTAL
MARKS

65

QUESTION 5**5.1 CASH GENERATED FROM OPERATIONS**

Net profit before income tax (240 480 + 93 520)	334 000 ✓✓	
Depreciation	178 000	
Interest expense	52 000	
Operating profit before changes in working capital	564 000	
Cash effects of changes in working capital	11 000 ✓	
Change in inventories (262 000 – 194 600)	67 400 ✓✓	
Change in receivables (214 000 – 198 000)	(16 000) ✓✓	
Change in payables (165 200 – 124 800)	(40 400) ✓✓	
Cash generated from operations	575 000 ✓	10

**5.2 MAXIE LTD
CASH FLOW STATEMENT FOR THE YEAR ENDED 28 FEBRUARY 2015**

CASH EFFECTS OF OPERATING ACTIVITIES	289 890 ✓	
Cash generated from operations	575 000 ✓	
Interest paid	(52 000) ✓	
Income tax paid (93 520 ✓ – 2 110 ✓ – 6 300 ✓)	(85 110) ✓	
Dividends paid (88 000 ✓ + 60 000 ✓)	(148 000) ✓	
CASH EFFECTS OF INVESTING ACTIVITIES	(492 340) ✓	
Purchase of fixed assets (2 568 730 ✓ + 178 000 ✓ – 2 174 390 ✓)	(572 340) ✓	
Investments matured (230 000 – 150 000)	80 000 ✓✓	
CASH EFFECTS OF FINANCING ACTIVITIES	160 000	
Proceeds of shares issued	1 000 000	
Share repurchased	(540 000)	
Repayment of loan	(300 000)	
NET CHANGE IN CASH AND CASH EQUIVALENTS	(42 450) ✓	
Cash and cash equivalents (1 March 2014)	34 700 ✓	
Cash and cash equivalents (28 February 2015)	(7 750) ✓✓	21

5.3.1 Calculate the current ratio.

413 600 ✓ : 239 850 ✓

= 1,7 : 1 one part correct

3

5.3.2 Calculate the debt-equity ratio.

500 000 ✓ : 2 392 480 ✓

0,2 : 1 one part correct

3

5.3.3 Calculate the net asset value per share. $\frac{2\,392\,480}{480\,000} \times 100$ = 498,4 cents one part correct

3

5.4 On 1 March 2014 additional shares were issued at R5,00 each. Will the existing shareholders be satisfied with this price? Explain. Quote relevant financial indicators with figures in your explanation.

Yes/No ✓

Explanation ✓✓ Valid financial indicators with figures ✓✓

Compare 500c issue price to the NAV ✓ of 462c✓

Compare 500c issue price to the market value ✓ of 490c✓.

5

5.5 The directors decided to pay back a large portion of the loan. Do you think that this was a wise decision? Explain. Quote TWO relevant financial indicators and figures to support your answer.

No ✓

Quoting valid indicators and figures ✓✓ ✓✓

Debt/Equity decreased from 0,4 : 1 to 0,2 : 1 (lowly geared)

ROTCE worsened from 13,2% to 10,2%.

Explanation ✓✓

The business' return is lower than the current interest rate on loan (12%) and is therefore negatively geared.

7

5.6 Besides paying back the loan, the directors have taken other major decisions that have affected the cash balances. State TWO other major decisions (exceeding R200 000) and quote the figures from the Cash Flow Statement. In EACH case, state how the decision will affect the future of the company.

DECISION Decision ✓✓ Amount ✓✓	FUTURE EFFECT ON COMPANY Valid explanation ✓✓
Purchase of fixed assets R572 340 (Refer to 5.2)	<ul style="list-style-type: none"> • Capital growth – investment in fixed assets will lead to expanded business activities • Creation of employment • Cater for more customers to increase profits
Issue of shares R1 000 000	<ul style="list-style-type: none"> • Financing expansions/ extensions • Expanded shareholder base will affect dividends • Improve cash flow
Repurchase of shares R540 000	<ul style="list-style-type: none"> • Large cash outlay led to bank overdraft • Could result in cash flow problems

6

5.7.1 Choose the correct word from those given in brackets. Write down the word and briefly explain your choice.

Maxie Ltd received a/an (unqualified/qualified/disclaimer) auditors' report.

Qualified ✓

Briefly explain your choice.

Explanation ✓✓

- The auditors found one item to be unsatisfactory.
- This is to alert the users/readers of the financial statements that there is a problem.

1-mark option

- It is mentioned because it is significant.

3

5.7.2 Explain the consequences of this auditors' report for the chief executive officer (CEO) and/or the company. State TWO points.

Any TWO valid explanations ✓✓ ✓✓

- The CEO has flouted the procedures and must be accountable.
- This report will influence the appointment of directors by shareholders.
- Negative mark against the company that could affect the demand for shares. This will affect the share price.
- Potential investors will be cautious about investing in this company.
- Shareholders might want to replace the CEO – affects continuity, but might improve future prospects of the company.

1-mark option

- Effect on proceeds of shares in the future
- Effect on share price
- Image of the company

4

TOTAL MARKS
65

QUESTION 6**6.1 DEBTORS' COLLECTION SCHEDULE**

	CREDIT SALES	AUGUST
May	42 000	
June	49 200	3 936 ✓
July	43 200 ✓✓	30 240 ☑
August	33 600	6 720 ✓
		40 896 ☑

Check if 70% of credit sales

One part correct

6

6.2

NO.	CALCULATIONS	AMOUNT
(i)	56 000 one mark (84 000 x 100 ÷ 150)✓ x 25% ✓	14 000
(ii)	61 500 one mark (82 000 x 75%)✓ x 95% ✓	58 425
(iii)	32 000 x 103%	32 960
(iv)	2 904 x 100 ÷ 110	2 640
(v)	- 22 600 – 10 200	(32 800)

☑

One part correct

☑

One part correct

✓✓

✓✓

✓✓

12

6.3.1**Give ONE reason (with figures) why the workers are dissatisfied.**

Suitable reason ✓ Relevant figures ✓

- They will be receiving a 3% increase while the bookkeeper will be receiving a (1 800 ÷ 18 000) 10% increase.
- The 3% increase is lower than the rate of inflation which at present is approximately 6%.

2

6.3.2**Give ONE reason (with figures) that Charles could use to justify the increases that he is going to give the workers.**

Suitable reason ✓ Relevant figures ✓

- The business is experiencing cash flow problems as the bank balance is expected to be overdrawn at the end of August 2015 by R120 000.
- The total sales for June (R89 100) is below the budgeted amount (R123 000) and he expects this trend to continue.

2

6.4.1**Charles decided to offer trade discounts to special customers in July 2015. In your opinion, has this benefitted the business? Provide figures to support your answer.**

No, ✓ actual sales were R84 000 compared to budget of R108 000 ✓

2

6.4.2 Explain what you would say to Charles about the control of the following:

ITEM	COMMENT WITH FIGURES ✓ ✓ ✓ ✓	ADVICE ✓ ✓
Delivery costs	Sales were less than budget, so actual delivery expenses should decrease to R8 400.	Investigate possible fraud or inefficiency./Change the delivery firm./Charge customers for the deliveries.
Advertising costs	He has overspent by R5 000 (R18 000 compared to actual R23 000)./This did not lead to increase in sales.	Investigate why advertising was ineffective./Improve method of advertising.

6

6.5.1 Calculate the purchase price of the new vehicle.

(R6 250✓ x 36✓ x 100/90 ✓ = R250 000. One part correct

4

6.5.2 Apart from the deposit and the monthly instalment of R6 250, explain how the next Cash Budget will be affected. Provide THREE points.

✓✓ ✓✓ ✓✓

Any 3 valid points, e.g.

- Delivery expenses paid to PQ Deliveries will be avoided.
- Petrol costs must be included.
- Salary of a driver must be included.
- Insurance must be included.

6

TOTAL MARKS
40

TOTAL: 300