



Education and Sport Development

Department of Education and Sport Development
Departement van Onderwys en Sportontwikkeling
Lefapha la Thuto le Tlhabololo ya Metshameko

NORTH WEST PROVINCE

NATIONAL SENIOR CERTIFICATE

GRADE 12

ACCOUNTING

JUNE 2019

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.

This marking guideline consists of 16 pages.



NW/JUNE/ACCNG/EMIS/6*****

QUESTION 1

**1.1.1 Why should the auditor be concerned about ITEM 1?
Mention TWO points.**

TWO points ✓✓ ✓✓

- This deposit should have been reflected on the bank statement within a day.
- R35 000 outstanding for some time could indicate that regular depositing is not happening (possible rolling of cash and fraud).
- Possible error (e.g. wrong account number) or fault by the bank which must be resolved as soon as possible.
- Rule of prudence would dictate that the amount should be reversed if there is a possibility of fraud.
- Lack of internal control.
- Possibility of fraud/error.

4

1.1.2 Explain the correct treatment of ITEM 3 while preparing the financial statements.

Increase: Bbank ✓
Increase: Trade and other payables ✓

2

1.1.3 Which ITEM was incorrectly treated in the CRJ?

ITEM 4 ✓✓

Explain the correct treatment of the ITEM.

Record the cheque in a post-dated cheque register and keep it safe.
Record on the due date of the cheque. ✓✓

2

2

1.1.4 ONE item that must be recorded in the CPJ for July 2018.

ITEM 5 ✓✓

2

ONE item that must be recorded in the CRJ for July 2018.

ITEM 2 ✓✓

2



1.2.1

	Creditors' Control	
	Adjustment	No entry
Balance	63 270	
1		x✓
2		x✓
3	- 4 500✓✓	
4	+ 825✓✓	
5	+ 480✓✓	
6		x✓
	60 075 ✓	
	One part correct. The figure should be less than 63 270 Accept minus with brackets and plus without brackets	

10

1.2.2

CREDITORS' LIST	
Mango Traders (9 465 + 500✓ + 825✓)	10 790✓
Sphe Stores (6 123 + 3 820✓)	9 943✓
Post Network (13 874 – 4 500✓)	9 374✓
Serengeti Wholesalers (15 869 – 3 820✓)	12 049✓
Rivera Distributors (22 119 – 4 200✓)	17 919✓
	60 075

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35



QUESTION 2: MANUFACTURING**(60 marks; 35 minutes)****2.1 AVRO VUMA MANUFACTURES**

2.1.1	Direct Materials Cost		
	Opening stock	465 000	
	Net purchases	✓1 000 000	
	Carriage on purchases (90 000 + 15 000)	✓✓105 000	
		1 570 000	
	Less: closing stock (404 650 ✓ - 91 000✓)	☒(313 650)	
	Direct material cost	1 256 350	6

2.1.2	Factory Overhead Cost		
	Indirect salary: Factory manager	✓190 000	
	Indirect material / Consumable stores (23 400✓ + 60 200✓ - 6 200✓ - 11 600✓)	☒65 800	
	Water and electricity (275 200 + 26 000)	✓✓301 200	
	Factory insurance((18 000✓ x 80 / 20✓)	☒72 000	
	Sundry factory expenses(210 500-5000)	✓✓205 500	
	Depreciation on factory plant (65 000 + 17 500)	✓✓82 500	
		917 000	15



2.1.3	Production Cost Statement on 28 February 2019	
	Direct Materials Cost	<input checked="" type="checkbox"/> 1 256 350
	Direct Labour Cost (900 000 + 35 600✓ + 358✓+3 664✓)	<input checked="" type="checkbox"/> 939 622
	Prime Cost	<input checked="" type="checkbox"/> 2 195 972
	Factory Overhead Cost	<input checked="" type="checkbox"/> 917 000
	Total Cost of Production	3 112 972
	Work-in Process at the beginning of the year	✓64 000
		3 176 972
	Work-in Process at the end of the year	<input checked="" type="checkbox"/> (167 372)
	Cost of Production of Finished Good	✓ 3 009 600
		10

2.1.4	ABRIDGED INCOME STATEMENT FOR YEAR ENDED 28 FEBRUARY 2019	
	Sales (3 001 600 <input checked="" type="checkbox"/> *160/100✓) See COS	<input checked="" type="checkbox"/> 4 802 560 One part correct
	Cost of sales (50 000✓ + 3 009 600 <input checked="" type="checkbox"/> – 58 000✓) See TCP 2.1.3	<input checked="" type="checkbox"/> (3 001600) One part correct
	Gross profit Sales – COS	<input checked="" type="checkbox"/> 1 800 960
	Administration cost (8 800✓ + 65 000✓ + 9 000✓) One part correct	<input checked="" type="checkbox"/> (82 800)
	Selling and distribution cost	✓ (9 000)
	Net profit operation (subtract AC & SDC) one part correct	<input checked="" type="checkbox"/> 1 709 160
		14



2.2 WOODEN MANUFACTURERS

2.2.1	Explain the difference the difference between fixed cost and variable cost.			
	<ul style="list-style-type: none"> ▪ Fixed costs do not change with the level of production. ✓ ▪ Variable cost will increase or decrease with the level of production. ✓ 	<table border="1"> <tr><td> </td></tr> <tr><td>4</td></tr> </table>		4
4				

2.2.2	(a) Total fixed cost			
	R917 000 + R217 000 = R 1 134 000 ✓✓	<table border="1"> <tr><td> </td></tr> <tr><td>2</td></tr> </table>		2
2				

2.2.2	(b) Variable cost per unit.			
	R93 ✓ + R32.10 ✓ = R125,10 ☑	<table border="1"> <tr><td> </td></tr> <tr><td>3</td></tr> </table>		3
3				

2.2.3	Calculate the break-even point. Should the business be satisfied with their current production of 18 000 units? Explain.			
	<p>760 000 ✓ / 256,00 ✓ - R125,10 ✓</p> <p>= 5 805,9 or 5 806 ☑ units (any one part correct)</p> <p>Comment: The business should be satisfied because their production of 18 000 units are more than the break-even point of 5 806 ☑ units. Or Produced 12 194 ☑ units more than the break-even point and they will therefore make a very good profit. ✓</p>	<table border="1"> <tr><td> </td></tr> <tr><td>6</td></tr> </table>		6
6				

60



QUESTION 3

3.1	Choose the correct word/s from those given below to complete the sentences:
3.1.1	Working capital ✓
3.1.2	Qualified ✓
3.1.3	Finance cost ✓
3.1.4	Cash and cash equivalents ✓

4

3.2.1	ORDINARY SHARE CAPITAL	
AUTHORISED:		
Number of authorized ordinary shares: 1 000 000 shares		
ISSUED:		
700 000✓	ordinary shares in issue at the beginning of financial year	✓2 100 000
35 000✓	shares bought back during the financial year at R3✓✓	☑(105 000)
150 000✓	additional shares issued during the financial year at an issue price of R7 per share	✓1 050 000
815 000 ✓	Ordinary shares in issue at the end of the financial year Operation, one part correct	☑3 045 000

10

3.2.2	RETAINED INCOME	
	Balance at the beginning of the financial year Operation	☑376 750
	Net profit after tax for the year (375 000✓ x 70/30✓)	✓875 000
	Funds used for shares buy-back (35 000 x 6)	☑(210 000)
	Dividends	(419 250)
	Interim/paid	✓134 000
	Final/recommended (815 000☑ x 0.35✓)	☑285 250
	Balance at the end of the financial year see R/I in 3.3	☑ 622 500

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3.3 JOYCO LIMITED

BALANCE SHEET AS AT 28 FEBRUARY 2019

	ASSETS	
	NON-CURRENT ASSETS	operation <input checked="" type="checkbox"/> 3 616 810
	Fixed/Tangible assets (1 800 000✓ + 800 000✓ + 600 000 ✓ – 80 000✓ – 315 000✓✓)	✓ 2 805 000
9	Financial assets: fixed deposit	operation <input checked="" type="checkbox"/> 811 810
	CURRENT ASSETS	must x current liabilities by 1,2 <input checked="" type="checkbox"/> <input checked="" type="checkbox"/> 1 222 140
	Inventories	operation, one part correct <input checked="" type="checkbox"/> 315 490
	Trade and other receivables (470 000✓ + 46 000✓ + 25 000✓)	✓ 541 000
	Cash and cash equivalents (190 650✓ + 175 000✓)	✓ 365 650
11	TOTAL ASSETS	total assets equal to total equity and liabilities <input checked="" type="checkbox"/> 4 838 950
	EQUITY AND LIABILITIES	
	SHAREHOLDERS' EQUITY	(815 000 x 4.50) ✓ <input checked="" type="checkbox"/> 3 667 500
	Share capital	see 3.2.1 <input checked="" type="checkbox"/> 3 045 000
4	Retained income	operation <input checked="" type="checkbox"/> 622 500
	NON-CURRENT LIABILITIES	operation, one part correct 153 000
6	Loan: Sentry bank (256 600✓ + 33 000 ✓✓ – 96 600 ✓ – 40 000✓)	<input checked="" type="checkbox"/> 153 000
	CURRENT LIABILITIES	operation, one part correct <input checked="" type="checkbox"/> 1 018 450
	Trade and other payables (650 000✓ + 35 500✓ + 285 250 <input checked="" type="checkbox"/> + 7 700✓✓) see 3.2.2	✓ 978 450
	Current portion of loan	see non-current liabilities <input checked="" type="checkbox"/> 40 000
9	TOTAL EQUITY AND LIABILITIES	operation <input checked="" type="checkbox"/> 4 838 950

Balance sheet totals do not have to agree to get method marks for Totals. Workings may be shown outside the face of BS- award part Marks. Shareholders for dividends can be shown separately Under current liabilities

39

65



QUESTION 4

4.1	Choose the correct word/s from those given below to complete the sentences:
4.1.1	C ✓
4.1.2	D ✓
4.1.3	E ✓
4.1.4	B ✓
4.1.5	A ✓

5

4.2. FIGURES FOR 2019 CASH FLOW STATEMENT

4.2.1	Calculate: Income tax paid	
	Workings	Answer
	$800\,000 \checkmark + 1\,800\,000 \checkmark + 500\,000 \checkmark$ operation one part correct	3 100 000 ✓✓

5

	Calculate: Dividends paid	
	Workings	Answer
	$891\,000 \checkmark \checkmark + 300\,000 \checkmark$ OR $300\,000 + 1\,397\,000 - 506\,000$ operation one part correct	1 191 000 ✓

4

	Calculate: Purchases of tangible assets	
	Workings	Answer
	$5\,953\,000 \checkmark + 205\,000 \checkmark + 327\,750 \checkmark - 5\,692\,500 \checkmark$ OR $5\,692\,500 - 205\,000 - 327\,750 - 5\,953\,000$ operation one part must be correct	793 250 ✓✓

6



Calculate: Buy-back of shares (repurchased of shares)		
	Workings	Answer
	265 000✓ X R 3 ✓	795 000✓
		3

4.2.2 FIGURES FOR 2019 FINANCIAL INDICATORS

4.2.2 Calculate: Return on total capital employed (ROTCE)		
	Workings	Answer
	$\frac{6\,000\,000\checkmark + 148\,500\checkmark}{\frac{1}{2}\checkmark (1\,800\,000\checkmark + 8\,572\,000\checkmark + 2\,500\,000\checkmark + 5\,148\,000\checkmark)}$ $\frac{6\,148\,500}{9\,010\,000} \times \frac{100}{1}$	68,24% <input checked="" type="checkbox"/>
	operation one part must be correct	8

Calculate: Dividends pay out % for 2019		
	Workings	Answer
	$\frac{45\checkmark}{75\checkmark} \times 100$	60% <input checked="" type="checkbox"/>
	operation one part must be correct	3



4.2.3

Explain the effect that the repurchase of shares on 31 January 2019 had on his control of the company. Give a calculation(s) to support your answer. Refer to Q 4.2.1

Before the repurchase his shareholding was:

$$\frac{1\,242\,000\checkmark}{2\,700\,000\checkmark} \times \frac{100}{1} = 46\% \checkmark \text{ operation one part correct}$$

After the repurchase his shareholding is:

$$\frac{1\,242\,000\checkmark}{2\,435\,000\checkmark} \times \frac{100}{1} = 51,01 \text{ or } 51\% \checkmark \text{ operation one part correct}$$

Comment:

Mr Pine is now the majority shareholder. ✓✓

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Mr. Pine wants to purchase additional shares at R10, 00 without advertising the shares to the public. Give TWO reasons why you would not approve of this.

Any relevant answer ✓✓ ✓✓

- All shares must be advertised to the public as this is a public company and it is a requirement of the Companies Act.
- He is only offering R10.00 while the market value is R14.00.
- This is an example of insider trading and it is a criminal offence. Mr. Pine will be taking advantage of his position to enrich himself.
- The value of R10.00 is below the net asset value of R12.50.

4

4.2.4

The directors are of the opinion that the liquidity has improved. Quote THREE financial indicators (with figures) to support this opinion.

- Acid test ratio improved from 0.5 : 1 to 1 : 1 by 0.5✓✓
- Current ratio improved from 0,9: 1 to 2 : 1 by 1.10✓✓
- Debtors collection period improved from 38 days to 21 days by 17 days✓✓

6

4.2.5

The shareholders are not happy with their return and earnings. Quote and explain TWO financial indicators (with figures) to support their opinion.

- ROSHE decreased from 23% to 20%. It decreased by 3%, ROSHE of 20% is above the interest rate on investment of 9%. It is more by 11% the business is still doing well. ✓✓
- DPS of 95c is above the EPS of 55c and that is not good for the company✓✓

4



4.3.1

Is this a qualified/unqualified report?

- Unqualified ✓✓

2

4.3.2

Explain TWO major consequences for Snow and White should they be negligent in performing their duties

Any two valid consequences ✓✓ ✓✓

Possible responses

- Can be sued for losses caused as a result of relying on their opinion.
- Not be re-appointed as auditors
- Face disciplinary procedures by the professional body

4

4.3.3

Provide TWO actions that Snow and White will have to take to verify the Fixed/ Tangible Assets figure in the Balance Sheet?

Any one action ✓✓ ✓✓

Possible responses

- Examine the financial records of the business- external audit.
- Assess the internal control of the business.
- Assess the accounting principle used by the business.
- Check the Fixed Assets Register.
- Physical count of the fixed assets

4

4.3.4

The CEO in charge was given a new laptop by Brats Computers on 31 March 2019. Brats Computers have tendered to supply computers to Zodwa Ltd next year. Comment on whether or not this will affect the audit report next year. Explain

- **Comment:** ✓✓
It is not appropriate for Brats Computers to give the director a laptop since they are part of applicants for the tender. This might be seen as a bribe to get the tender.
- **Advice:** ✓✓
The director must give back the computer to Brats Computers because what they are doing is unethical.

4

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QUESTION 5

5.1.1	NO.	CALCULATIONS	AMOUNT
	(i)	R 3 315 000✓ – R 2000 000✓	R1 315 000 ✓
	(ii)	R 800 000✓ – R 390 000✓	R 410 000 ✓
	(iii)	Vehicle 1: R 240 000 x 15% = R 36 000✓ R 15 000 – R 1 = R 14 999 ✓✓ Vehicle 2: R 312 000 x 15% = R 46 800 ✓✓	R61 799✓ <input checked="" type="checkbox"/> One part correct

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5.1.2 **ASSET DISPOSAL**

2018 Aug	30	Equipment ✓	90 000 ✓	2018 Aug	30	Accumulated depreciation on equipment ✓	34 920✓ <input checked="" type="checkbox"/> One part correct
		Profit on sale of asset✓	4 920✓		#	(13 500 ✓+ 15 300 ✓)	
						Bank ✓	60 000 ✓
			94 920		#		94 920

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5.1.3 (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.

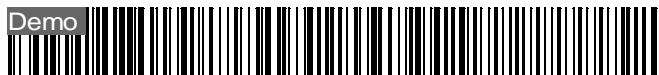
2



(b) Identify and explain THREE major problems (with figures) relating to the control of the display cabinets and shelves. 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 ✓✓✓
36 display cabinets stolen/missing	Regular control over stock. Limit the access to the store room. Increase security at exit doors. Install security cameras etc.
A large amount of R16 000 has been spent on repairs of shelves.	Return to suppliers if damaged shelves are received. Display at a safe place to prevent damage.
A shortage of stock. For the 540 customers there are only 210 display cabinets and 95 shelves	Buy more stock to meet the demand of clients.
14 display cabinets were damaged.(cost of replacement R28 000).	Monitor usage of display cabinets to ensure that customers do not abuse them.

9

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QUESTION 6**6.1 TYRES GALORE**

6.1.1 Calculate the value of the closing stock on 28 February 2019 using the weighted-average method.

$$= \frac{320\,770 \checkmark + 1\,392\,380 \checkmark - 22\,650 \checkmark}{520 \checkmark + 1\,960 \checkmark - 30 \checkmark}$$

$$= \frac{1\,690\,500}{2\,450} \quad \begin{array}{l} \text{3 marks} \\ \text{3 marks} \end{array}$$

$$= 690 \times 325 \checkmark = R224\,250 \checkmark \quad \text{one part correct MUST multiply by 325}$$

8

6.1.2 Calculate the following for the year ended 28 February 2019:

Cost of sales:

Opening stock		320 770	
Purchases		1 347 500	
Returns		(22 650)	
Carriage on purchases		44 880	
	See 6.1.1	1 690 500	✓
Closing stock	See 6.1.1	(224 250)	✓
Cost of sales	Operation - one part correct	1 466 250	✓

Gross profit:

Sales (2 115 x 1 400)		2 961 000	✓
Cost of sales		(1 466 250)	
Gross profit	Operation - one part correct	1 494 750	✓

5

6.1.3 Calculate the average stock-holding period (in days) on 28 February 2019.

$$\frac{272\,510 \text{ 3 marks see 6.1.1}}{1\,466\,250 \checkmark \text{ see 6.1.2}} \times 365 = 67,8 \text{ days} \checkmark \text{ one part correct}$$

$$\frac{422,50}{2\,115} \times 365 = 72,9 \text{ days}$$

5



6.1.4 Calculate the value of the closing stock by using the FIFO method.

(300 – 30)
270 ✓ x R755 ✓ = R203 850 ✓ **one part correct**
325 – 270
55 ✓ x R740 ✓ = R40 700 ✓ **one part correct**
Total: R244 550 ✓ **one part correct**

7

6.2.1 Identify ONE problem in Shop 1 and ONE problem in Shop 2. Quote figures. In EACH case, state ONE point of advice.

Branch	Problem ✓ ✓ Figure ✓ ✓	Advice ✓ ✓
Shop 1	<ul style="list-style-type: none"> Stock-holding period, 180 days – too much money invested in stock Mark-up % of 70% is too high – leads to low sales of 360 000 Do not accept advertising. 	<ul style="list-style-type: none"> Purchase stock in smaller quantities. Decrease the mark-up % to increase sales.
Shop 2	<ul style="list-style-type: none"> Returns are high (14,8% of sales) Advertising too low, R5 800 (2,3% of sales) Open for 5 days only Low mark-up of 50% and still not able to increase sales 	<ul style="list-style-type: none"> Sell correct/good quality items to customers to avoid returns. Increase advertising to increase sales. Open for another day.

6

6.2.2 Explain TWO good decisions that Sandra has made in respect of Shop 3. Quote figures.

Any TWO of the following ✓✓ ✓✓

- Good/High sales – R960 000
- Working 7 days a week
- Advertised more – R48 500 (5,05% of sales)

4

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TOTAL: 300

