



basic education

Department:
Basic Education
REPUBLIC OF SOUTH AFRICA

SENIOR CERTIFICATE EXAMINATIONS

ACCOUNTING

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. Operation means 'check operation'. 'One part correct' means operation and one part correct. Note: check operation must be +, -, x, ÷, or per memo.
10. 'One part correct' means 'operation and one part correct'. Where method marks are awarded for one part correct, the marker must inspect the reasonableness of the answer and at least one part must be correct before awarding the mark. If a figure has earned a method-mark, this will be regarded as 'one part correct'.
11. In calculations, do not award marks for workings if numerator and 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 16 pages.

QUESTION 1

1.1.1

CASH RECEIPTS JOURNAL		CASH PAYMENTS JOURNAL	
R510 607		R488 260	
4 800	✓✓	25 000	✓✓
6 250	✓	1 425 one mark +575 one mark	✓✓
145	✓	2 000	
		230	✓
		1 850	✓
		3 600	✓✓
521 802	✓*	520 940	✓*

CRJ 1 850 CPJ 3 700
One mark for both
CRJ 2 630 CPJ 6 230
Both must be shown for two marks
Cannot be less than
R510 607 and R488 260

*operation, one part correct and must include the totals b/f

14

Foreign entries -1 (max -1) e.g. 6 950; 12 675; 18 450; 30 975 (from previous recon)
And/or other foreign entries incorrectly duplicated in journals and/or reconciliation (mark scored elsewhere)

1.1.2

Calculate the Bank Account balance in the Ledger of Hartfield Suppliers on 30 April 2018.

R30 975		Signs may be omitted (or brackets may be used), but operation must be appropriate on the answer
+ 521 802	✓	see 1.1.1 CRJ total; net effect can be shown
- 520 940	✓	see 1.1.1 CPJ total; net effect can be shown
31 837	✓	operation, correct transfers; both CRJ must be +ve and CPJ must be -ve; must include balance b/f (could be more or less than 30 975)

3

Accept alternative arrangements for calculations such as ledger account / equation form.

1.1.3

Bank Reconciliation Statement on 30 April 2018

-1 max for presentation of details if marks earned on figures	One column method. Mark signs consistently	Debit	Credit
Balance per Bank Statement	41 537 Cannot be R18 450	Operation, balancing figure	41 537 ✓ Cannot be R18 450
Credit outstanding deposit	10 000		10 000 ✓
Debit outstanding cheques / items			
No. 613	(13 400)	13 400 ✓	
No. 652	(5 650)	5 650 ✓	
EFT – Small	(2 500)	2 500 ✓	
Credit amount wrongly debited	1 850		1 850 ✓✓
Balance per Bank Account		31 837 ✓	See 1.1.2
Balance per Bank Account	See 1.1.2 31 837	53 387	53 387

8

Foreign entries -1 (max -1) e.g. 6 950; 12 675; 18 450; 30 975 (from previous recon)
And/or other foreign entries incorrectly duplicated in journals and/or reconciliation (mark scored elsewhere)
TWO column method: Assume debit followed by credit column. Mark negative amounts wrong.

1.2 The internal auditor is concerned about the management of cash.

1.2.1 Explain TWO different problems to justify her concern. Quote figures.

Any TWO valid responses: Problem ✓ Theft ✓ Rolling Figure or date ✓ ✓
Do not accept incorrect recording of a cheque; alternative terms may be used

Problems: Inspect if two aspects are included in one explanation

- Theft/Fraud/Internal control measures are lacking (R25 000 missing) Accept date in lieu of figures
- Rolling / late depositing of cash: R12 675 received on 10 March and deposited only on 28 April 2018 OR R10 000 was received on 20 April 2018 and is still outstanding

4

1.2.2 Give advice (TWO points) on how such problems can be avoided in future.

Any two valid responses: ✓ ✓

- Create a policy for regular, daily depositing
- Request notification from bank for all transactions (sms)
- Division of duties / one person serves as a check on another
- Check promptly to bank statements
- Use a security company to collect cash
- Ask debtors to pay by EFT Accept use EFT
- Background checks / police clearance on staff

2

1.3 Explain TWO benefits of using the electronic funds transfer (EFT) system rather than cheques for direct payments to suppliers.

Any TWO valid responses ✓✓ ✓✓ Part-marks for unclear/incomplete explanations

- Cheaper than cheque payments or debit orders (only data costs)
- No holding period as for cheques before money is available
- Less fraud and theft than with cheques / eliminate risks with lost / stolen / forged / dishonoured cheques / greater security Accept security
- Payees are happy because funds can be transferred more quickly at any time of the day or night (not restricted by banking hours)
- Simplifies bookkeeping and efficiency / saves time / transactions quicker / proof of payment immediate
- Save on bank charges

4

TOTAL MARKS

35

QUESTION 2

2.1

Accept abbreviations

2.1.1	Selling and distribution cost	✓
2.1.2	Direct labour cost	✓
2.1.3	Direct/raw materials cost	✓
2.1.4	Administration cost	✓

4

2.2 TIGHT-FIT MANUFACTURERS

2.2.1

Calculate: Value of the closing stock of raw materials

Workings	Answer
$\begin{array}{r} 2\,607\,000 \checkmark \\ 23\,700 \checkmark \\ \hline 110 \text{ two marks} \end{array} \quad \times \quad 3\,900 \checkmark$	429 000 <input checked="" type="checkbox"/> Operation, one part correct must multiply by 3 900

4

Calculate: Value of direct/raw materials issued for production

Workings	Answer
$\begin{array}{l} 2\,607\,000 \checkmark - 429\,000 \checkmark \text{ see above} \\ 535\,000 + 2\,072\,000 \\ \text{OR } (23\,700 - 3\,900) \times 110 \text{ one method mark (see above)} \\ 19\,800 \text{ one mark} \end{array}$	2 178 000 <input checked="" type="checkbox"/> Operation, one part correct

3

Calculate: Correct factory overhead costs

Workings	Answer
$\begin{array}{l} 69\,600 \text{ one mark} - 13\,050 \text{ two marks} \\ 746\,670 + 56\,550 \checkmark\checkmark\checkmark + 59\,280 \checkmark\checkmark \\ \text{e.g.} \\ 746\,670 + 56\,550 - 59\,280 \text{ would be three marks plus the method mark on answer} \\ 746\,670 - 56\,550 - 59\,280 \text{ would be 0 marks and no method mark on answer} \end{array}$	862 500 <input checked="" type="checkbox"/> Operation, one part correct

6

2.2.2 Production Cost Statement for the year ended 31 March 2018.

Incorrect placement of DMC and FOHC: do not award ticks for details; -1 presentation if WIPS details not given;
 Will also lose method marks on Prime cost subtotal; the figures will get method mark even if incorrectly placed

✓ Direct materials cost	see DMC in 2.2.1	2 178 000 <input checked="" type="checkbox"/>
Direct labour cost		3 522 000 ✓
Prime cost	Must be DMC + DLC	5 700 000 <input checked="" type="checkbox"/>
✓ Factory overhead cost	see FOHC in 2.2.1	862 500 <input checked="" type="checkbox"/>
Total manufacturing costs	Operation one part correct, DMC+DLC+FOHC regardless of placement	6 562 500 <input checked="" type="checkbox"/>
Work-in-process at beginning of year		147 500
*Cost of production of FG:	$231 + x = 6518 + 118$ or $231 - 118 - 6518 = -x$ or $-118 - 6518 + 231$ as long as answer is positive	6 710 000
Work-in-process at end of year	Balancing figure; do not accept 231 000 or 118 000 must be subtotal above – COPOFG	(305 000) <input checked="" type="checkbox"/>
Cost of production of finished goods	operation, one part correct	6 405 000 <input checked="" type="checkbox"/>
*Could do T-a/c or solve for x	$(118\,000 \checkmark + 6\,518\,000 \checkmark - 231\,000 \checkmark)$	

12

2.2.3

Give TWO reasons why the business should support local suppliers.**Reasons:**

Any TWO relevant reasons ✓ ✓

- No import charges will be paid
- Less transport costs
- Prices more stable / prices not influenced by fluctuations in exchange rates.
- Creates more employment opportunities to people from the country / enhances GDP of the country / helps small or new businesses / improves standard of living
- No delays in the case of emergency orders or returns / more convenient to transport goods
- Money stays in the country / improves exchange rate
- Less crime if employment increases
- Goodwill of the community (Ubuntu)

2

2.3

BREAK-TIME MANUFACTURERS

2.3.1

Calculate the direct labour cost for the year ended 30 April 2018.

Workings	Answer
331 500 x R7,56	R2 506 140 ✓✓

2

Calculate the break-even point for the year ended 30 April 2018.

Workings	Answer
$\frac{R3\ 102\ 500}{R28 - R19,50}$ ✓ 8,50 two marks	365 000 units <input checked="" type="checkbox"/> Operation, one part correct Must not be R, c, % etc Units do not have to be stated

4

2.3.2

Explain why the owner should be concerned about the break-even point. Quote figures.**Compare BEP with level of production** ✓✓ **Figures** ✓

- The business produced and sold 331 500 units. This is below the break-even point of 365 000 units (33 500 units less) [see 2.3.1](#)
- The BEP has increased by 131 000 units (56%) while the number of units produced and sold increased by 37 500 units (13%).

3

2.3.3

Explain why the owner would NOT be satisfied with the direct labour cost per unit. Quote figures.Trend ✓ Figures ✓ Explanation ✓ **Do not accept comment on total DLC**

- **Trend:** The increase in the labour cost is R1,96 per unit (R5,60 to R7,56) / 35% increase / DLC per unit went up by 35% while units produced went by 13%
- **Explanation:** This exceeds the inflation rate / workers have been inefficient / production volume did not increase as much as the DLC per unit

3

Give ONE solution to this problem.**Any ONE relevant control measure** ✓✓ **Part marks for unclear / incomplete answer**

- Set production targets of production (during normal hours) / time and motion studies.
- Better supervision to ensure workers are on duty during normal working hours/ Set limits on overtime hours and ensure foreman controls this.
- Reconsider conditions of service e.g. minimum normal hours, overtime rate.
- Have plans for disruption due to power cuts, strikes etc.
- Engage in skills training to improve efficiency of workers.
- Use machines more extensively
- Negotiate affordable / reasonable increases (in line with inflation) in salaries/ wages.

2

TOTAL MARKS

45

QUESTION 3

3.1.1

Calculate the value of the closing stock of bicycles on 31 May 2018.

	Workings		Answer
Tempo	8 500 x 4✓	Must multiply by correct cost price	<input checked="" type="checkbox"/> 34 000
Cruze	9 400 x 40✓	Must multiply by correct cost price	<input checked="" type="checkbox"/> 376 000
Ryder	7 400 x 57✓✓	Must multiply by correct cost price	<input checked="" type="checkbox"/> 421 800
		Operation, one part correct	<input checked="" type="checkbox"/> 831 800

OR: Op.Stock Purchases COS Tempo COS Cruze COS Ryder
 [.....- 3 354 200.....]
 595 000 + 3 591 000 [- 561 000 - 2 068 000 - 725 200] = 831 800
 One mark for both together One accuracy mark & one method mark for each model One method mark

8

Calculate the cost of sales for the year ended 31 May 2018.

Opening stock	✓ 595 000	
Net purchases	✓ 3 591 000	One mark if all three figures in workings are given
Closing stock	<input checked="" type="checkbox"/> (831 800)	See above
Cost of sales	<input checked="" type="checkbox"/> 3 354 200	Operation, one part correct

OR One mark One mark One mark One method mark
 (8 500 x 66) + (9 400 x 220) + (7 400 x 98) = 3 354 200
 561 000 2 068 000 725 200

4

Calculate the gross profit for the year ended 31 May 2018.

✓ see above operation, one part correct
 5 185 420 - 3 354 200 = 1 831 220
OR (66 x 8 500 x 60%) + (220 x 9 400 x 60%) + (98 x 7 400 x 35%) two method marks and one accuracy mark
 336 600 + 1 240 800 + 253 820 = 1 831 220

3

3.1.2

Calculate the selling price of a Ryder bicycle.

✓ Operation, one part correct

$$\frac{R979\ 020}{98} = R9\ 990$$

One mark One mark One method mark
OR $R7\ 400 \times 135/100 = R9\ 990$ **OR** $R7\ 400 + R2\ 590 = R9\ 990$

3

Calculate the average number of Ryder bicycles sold per month.

✓ ✓ Operation, one part correct
 $98 \div 9 = 10,9$ per month

3

Indicate how long it will take Fred to sell the closing stock of the Ryder bicycles. Show calculations.

For three marks: 57 units see 3.1.1 $\div 10,9$ per month = 5,2 months

OR $\frac{57\ \text{units}}{98\ \text{units}} \times \frac{9}{1} = 5,2$ months or approx. 157 days

OR $\frac{421\ 800}{725\ 200} \times \frac{270}{1} = 5,2$ months or approx. 157 days

For two marks:
 $\frac{421\ 800}{725\ 200} \times \frac{365}{1} = 212,3$ days

OR $\frac{57\ \text{units}}{98\ \text{units}} \times \frac{12}{1} = 7$ months

3

Give ONE possible reason for the slow sales of Ryder bicycles.

ONE valid reason: ✓✓ Part-marks for unclear / incomplete answer

- The customers do not like the new Ryder model /
- High returns indicate the quality is not good
- This is a new model / Customers not familiar with this model / poor marketing strategy.

Give advice (ONE point) to Fred in this regard.

ONE valid point of advice ✓✓ Part-marks for unclear / incomplete answer

- Look for another model to replace the Ryder model
- Discontinue selling this model as mark-up % is low
- Advertise/promote the positive characteristics of the new model.

4

3.2.1 Explain why it was NOT a good idea to change to a cheaper supplier of T-shirts. State TWO points.

Any two valid points Explanations ✓ ✓ Figures ✓ ✓

Possible answers:

- The returns by customers are up from 0 to 40 (do not accept poor quality only)
- Although more units were sold the total gross profit decreased from R43 200 to R29 000 or by R14 200 (32,9%)
- Maintaining the profit mark-up at 50% on cost resulted in a lower selling price (R45 cheaper) made customers doubt the quality.

4

3.2.2 Celia decided to change the supplier in 2018 and to change the mark-up %. How has this decision affected the business? State TWO points.

Any two valid points Explanations ✓ ✓ Figures ✓ ✓

Possible answers:

- Total units sold decreased from 165 to 150 / by 15 units / by 9%
- No returns (zero) in 2018 / returns by customers went down from 5 to 0
- The gross profit increased from R61 600 to R97 500 /by R35 900 / 58,3%)

4

3.2.3 Make TWO separate suggestions to Celia to improve the profit on pants in 2019.

Any two valid points Explanations ✓ ✓ Figures ✓ ✓

Possible answers:

- Advertise more to increase the sales as it went down from 325 to 280
- Increase the selling price (increase mark-up) to be > 910 and < 990
- Find a cheaper supplier as cost price went up from R620 to R650

4

TOTAL MARKS

40

QUESTION 4

4.1

4.1.1	True ✓	Accept abbreviations for T or F
4.1.2	False ✓	
4.1.3	True ✓	
4.1.4	False ✓	
4.1.5	False ✓	

5

4.2 MODISE LTD

4.2.1 RETAINED INCOME

Ignore foreign items; presentation -1 max

Balance at beginning of year		R567 000
Funds used for shares repurchased (250 000 x R0,25)	✓✓	(62 500)* Ignore brackets
<u>Net profit</u> after tax (3 400 000 ✓ – 918 000 ✓✓) or 3 400 000 x 73% Operation, one part correct	☑	2 482 000
Ordinary share dividends Operation, one part correct	☑	(2 400 000)* Ignore brackets
Interim	✓	672 000
Final (4 800 000 ✓ x $\frac{36}{100}$ ✓) or 36 cents or 0,36 (4 550 000 + 250 000) Operation, one part correct	☑	1 728 000
Balance at end of year Operation, one part correct * figures must be subtracted	☑	586 500

12

4.2.2 MODISE LTD

BALANCE SHEET ON 28 FEBRUARY 2018

ASSETS			
Non-current assets	Operation, TA - CA	<input checked="" type="checkbox"/>	13 386 500
Fixed assets	Operation, balancing figure	<input checked="" type="checkbox"/>	12 666 500
* <input checked="" type="checkbox"/> Fixed deposit / Investments / Financial assets (48 000 <input checked="" type="checkbox"/> x ¹² / ₁₀ <input checked="" type="checkbox"/> x ¹⁰⁰ / ₈ <input checked="" type="checkbox"/> Be aware of alternative methods of calculation	Operation, one part correct	<input checked="" type="checkbox"/>	720 000
Current assets	No part marks (2 600 000 x 1,5)	<input checked="" type="checkbox"/>	3 900 000
Inventories (1 015 000 <input checked="" type="checkbox"/> + 25 000 <input checked="" type="checkbox"/>)		<input checked="" type="checkbox"/>	1 040 000
* <input checked="" type="checkbox"/> Trade and other receivables (554 000 <input checked="" type="checkbox"/> - 33 240 <input checked="" type="checkbox"/> + 19 240 <input checked="" type="checkbox"/>)	Operation, one part correct	<input checked="" type="checkbox"/>	540 000
* <input checked="" type="checkbox"/> Cash and cash equivalents	Operation, balancing figure	<input checked="" type="checkbox"/>	2 320 000
TOTAL ASSETS	See total for E + L	<input checked="" type="checkbox"/>	17 286 500
EQUITY AND LIABILITIES			
Ordinary shareholders' equity	Operation, one part correct (i.e. RI figure from note): OSC + RI	<input checked="" type="checkbox"/>	14 236 500
Ordinary share capital			13 650 000
* <input checked="" type="checkbox"/> Retained income	See 4.2.1; could be -ve;	<input checked="" type="checkbox"/>	586 500
Non-current liabilities			450 000
* <input checked="" type="checkbox"/> Loan from director (630 000 <input checked="" type="checkbox"/> - 180 000 <input checked="" type="checkbox"/> or 12/42 15 000 x 12	Operation, one part correct	<input checked="" type="checkbox"/>	450 000
Current liabilities			2 600 000
Trade and other payables	operation, balancing figure	# <input checked="" type="checkbox"/>	674 000
Shareholders for dividends	See 4.2.1	<input checked="" type="checkbox"/>	1 728 000
SARS: Income tax (918 000 <input checked="" type="checkbox"/> - 900 000 <input checked="" type="checkbox"/>)	See 4.2.1 or 3 400 000 x 27% one part correct	<input checked="" type="checkbox"/>	18 000
* <input checked="" type="checkbox"/> <u>Loan</u> (current portion)	see above	<input checked="" type="checkbox"/>	180 000
TOTAL EQUITY AND LIABILITIES	Operation, See OSHE + NCL + CL	<input checked="" type="checkbox"/>	17 286 500

Ignore foreign items

* Do not award ticks for details if item incorrectly placed

If incorrect placement, mark workings; -1 in each case

Accept negative amounts for balancing figures based on candidates' workings

If evidence of current portion of loan included is in T&OP, award 2 method marks

4.2.3 The directors want to give R500 000 to a local school. Give TWO reasons why companies take such decisions.

Any TWO valid reasons ✓✓ ✓✓ Part-marks for unclear / incomplete answers

- This forms part of their corporate social investment (CSI) / responsibility (CSR) in accordance with the King Code
- Leads to goodwill from the community (support/positive image/good publicity)
- Creates a safer environment for the school / Contributes to better facilities for learners
- Tax deductible

4

4.3 AUDIT REPORT

4.3.1 Briefly explain the role of an independent auditor.

ONE valid explanation: ✓✓ Part-marks for unclear / incomplete answer

- The independent auditor expresses an opinion on the fair presentation of the financial statements
- Protects the interests of the shareholders/public.

Expected responses for max of 1 mark:

- Checks the books/Internal control/Detects fraud

2

4.3.2 Did Denga Limited receive a qualified/unqualified/disclaimer of opinion audit report?

Qualified report ✓ May be underlined in answer book

Briefly explain your choice. Mark independent of the decision above

Explanation ✓✓ Part-marks for unclear / incomplete answer

Valid responses for two marks:

- The audit opinion expressed an exception whereby it qualified the report regarding the shortcoming/exception in the case of advertising
- Advertising expenses of R500 000 could not be verified.

3

4.3.3 State THREE possible consequences for the independent auditor if he had NOT mentioned the advertising expense in his report.

Part-marks for unclear answers; but one-word answers acceptable because of 'State'

Three different consequences ✓✓ ✓✓ ✓✓ **DO NOT ACCEPT 'FIRED'**

- Disciplinary hearing (IRBA)
- Arrested (if fraud)
- Deregistered / struck off the roll
- Suspended (during investigation)
- Fined
- Sued by shareholders (held liable) (if they are found to be negligent)
- Lose clients / fired by clients / won't be hired
- Not trusted / integrity or character would be questioned

6

TOTAL MARKS
70

QUESTION 5

5.1

5.1.1	C	✓
5.1.2	D	✓
5.1.3	A	✓
5.1.4	B	✓

4

5.2

MALOTRA LTD

Ignore brackets in final answer

5.2.1

	Workings	Answer
(a)	6 192 350 ✓ – 4 256 350 ✓	R 1 936 000 ✓
(b)	535 250 ✓ + 419 750 ✓	R 955 000 ✓
(c)	1 415 000 ✓ – 955 000 <input checked="" type="checkbox"/> refer (b) OR one mark one mark 800 250 – 340 250 one mark one mark (1 415 000 – 614 750) – (535 250 – 195 000) one mark one mark (1 415 000 – 614 750) + 195 000 – 535 250	R 460 000 <input checked="" type="checkbox"/> Operation, one part correct
(d)	905 000 ✓ ✓ (1 500 000 – 595 000) x 20%	R 181 000 <input checked="" type="checkbox"/> Operation, must be multiplied by 20%
(e)	1 500 000 – 595 000 one mark for both 905 000 ✓ – 181 000 <input checked="" type="checkbox"/> – 626 000 ✓ refer (d)	R 98 000 <input checked="" type="checkbox"/> Operation, one part correct

16

5.2.2

Calculate the net profit after income tax on 28 February 2018.

Workings	Answer
286 200 ✓ x $\frac{70}{30}$ ✓ or 954 000 one mark – 286 200 one mark	R667 800 ✓

3

5.2.3

Calculate the dividends paid.

Workings	Answer
176 000 ✓ + 332 000 ✓ – 132 000 ✓ Kan T-rek doen 200 000 two marks OR: -176 000 – 332 000 + 132 000	R376 000 <input checked="" type="checkbox"/> * Operation, one part correct

4

Calculate the funds used to repurchase shares.

Workings	Answer
$\frac{6\,512\,000}{880\,000}$ 120 000 ✓ x (7,40 ✓✓ + 0,60 ✓) Could do T-a/c R8,00 three marks OR: One mark One mark One mark One mark (120 000 x 7,40) + (120 000 x 0,60) 888 000 72 000	R960 000 <input checked="" type="checkbox"/> * Operation, one part correct 888 000 or 72 000 as final answer = only two marks

5

Calculate the proceeds from shares issued.

Workings	Answer
120 000 x 7,40 (ASP above) 6 512 000 ✓ + 888 000 ✓ <input checked="" type="checkbox"/> – 5 760 000 ✓ Could do T-a/c OR: 5 760 000 – 6 512 000 – 888 000	R1 640 000 <input checked="" type="checkbox"/> Operation, one part correct

5

*Brackets not needed as it is a calculation, not a CFS

5.2.4	Net change in cash and cash equivalents	146 000 <input checked="" type="checkbox"/> Operation, from bottom up	
	Cash and cash equivalents (opening balance)	(109 600) ✓✓ Must be in brackets	
	Cash and cash equivalents (closing balance)	36 400 ✓	4

5.2.5	Calculate the acid-test ratio.		
	Workings	Answer	
	665 600 two marks 1 136 700 ✓ – 471 100 ✓ : 512 000 ✓	1,3 : 1 <input checked="" type="checkbox"/> Operation, one part correct (x :1)	4

	Calculate the debt-equity ratio.		
	Workings	Answer	
	1 500 000 ✓ : 6 843 300 ✓ Accept 0,22 : 1	0,2 : 1 <input checked="" type="checkbox"/> Operation, one part correct (x :1)	3

	Calculate the return on shareholders' equity.		
	Workings	Answer	
	See 5.2.2 $\frac{667\ 800 \checkmark}{\frac{1}{2} \checkmark (6\ 843\ 300 \checkmark + 5\ 826\ 500 \checkmark)} \times 100$ 6 334 900 three marks 12 669 800 two marks	10,5% <input checked="" type="checkbox"/> Operation, one part correct; must be shown as %	5

5.2.6 **The directors decided to increase the loan during the current financial year. Explain whether this was a good decision or not. Quote TWO financial indicators (with figures).**

- ✓ Debt/equity ratio is 0,2:1 (see 5.2.5) / 0,1:1 / from 0,1:1 to 0,2:1
- ✓ Return of capital employed is 14,6% / 16,4% ✓

Do not accept any other financial indicators

Explanation must contain reasons **Part-marks for unclear /incomplete explanation**

Response for two marks:

There is positive gearing (ROTCE exceeds interest rate on loans) and it is low risk (not making extensive use of borrowed capital). ✓✓

Response for one mark:

- This is a good decision because of positive gearing
- This is a good decision because it is still low risk

6

5.2.7 Comment on the price paid for the shares repurchased on 1 January 2018. Quote TWO financial indicators (with figures).

Must compare NAV and market price to repurchase price (not average share price price)

The company paid a *higher price for the share R8,00 see 5.2.3 than the ✓ NAV of ✓ 778 cents and the ✓ market price of ✓ 780 cents.

*This might be higher/lower/equal if error is made in calculation in 5.2.3.

5

5.2.8 Thandi Nene owns 416 000 shares in the company. When the directors decided to issue a further 200 000 shares during October 2017, she decided not to buy more shares and rather spend her funds on an overseas holiday.

Explain why you feel Thandi has made the wrong decision. Quote relevant figures or calculations to support your opinion.

Calculations: If workings correct, but answer not a %, award marks but -1 in each case for no %

% shareholding before the share issue $416\,000 / 800\,000 = 52\%$ ✓✓

% shareholding after the share issue $416\,000 / 1\,000\,000 = 41,6\%$ ✓✓

% shareholding after repurchase $416\,000 / 880\,000 = 47,3\%$

Explanation:

Explanation (must mention or imply majority shareholding i.e. 50% + 1 share) ✓✓

Thandi was the majority shareholder before the issue of the additional shares. As she did not increase her number of shares, she is no longer the majority shareholder. (Even after the repurchase of 120 000 shares she remains with less than 50% of the shares).

Response for two marks:

She has lost out on earning a maximum of R80 000 of dividends on the extra shares she could have bought / she has lost out on extra capital growth or extra returns of the shares.

Note: $200\,000 \times 40\text{ cents} = \text{R}80\,000$ dividends extra could have been earned
(She would have had to pay $200\,000 \times \text{R}8,20 = \text{R}1,64\text{m}$)

6

TOTAL MARKS
70

QUESTION 6

6.1.1 **The main purpose of a Cash Budget is to ...** ✓✓
 Part-marks for incomplete / unclear response
 Project / estimate the expected bank balance at end of budget period.
 Project / estimate / monitor / control expected cash received and paid over budget period.

6.1.2 **The main purpose of a Projected Income Statement is ...** ✓✓
 Part-marks for incomplete / unclear response
 Project / estimate the expected net profit for the budgeted period.
 Project / estimate / monitor / control expected income and expenses for budget period.

4

6.2.1 **Debtors' Collection Schedule:**

	CREDIT SALES	MAY 2018	JUNE 2018
March 2018	252 000	22 680	
April 2018	288 000	172 800	25 920 ✓
May 2018	180 000 ✓✓	51 300	108 000 <input checked="" type="checkbox"/> 60% of credit sales
June 2018	216 000		61 560 ✓✓
Cash from debtors		246 780	195 480 <input checked="" type="checkbox"/> Operation, one part correct

7

6.2.2 **Determine the discount allowed for May 2018.**
 See 6.2.1 (✓) Operation, one part correct
 $180\,000 \times (30\% \times 5\%) = 2\,700$
 CANNOT USE R300 000
OR

- 51 300 one mark \times 5/95 one mark = 2 700 one method mark
- 180 000 \times 30% = 54 000 one method mark – 51 300 one mark = 2 700 one method mark

3

Determine the bad debts written off in June 2018.
 ✓ ✓ Operation one part correct
 $1\% \times 252\,000 = 2\,520$

3

6.3 **Calculate the cash sales for May 2018.**

Workings	Answer
300 000 \times 40% OR 300 000 – 180 000	No part marks 120 000 ✓✓

Calculate the payment to creditors in June 2018.

Workings	Answer
300 000 ✓ \times 100/150 ✓ \times 80/100 ✓ 200 000 two marks	160 000 <input checked="" type="checkbox"/> Operation, one part correct

2

4

Calculate the salaries for May 2018.				Answer
Workings				
✓	✓	✓	✓	
			14 500 + 11 600	
(2 x 14 500)	+	(4 x 26 100)		
29 000		104 400		
OR				
(6 x 14 500)	+	(4 x 11 600)		
87 000 two marks		46 400 two marks		
				133 400 ✓ Operation, one part correct

5

6.4.1 Tony is not concerned about the overspending in advertising. Explain why this is so. Quote figures to support your answer.

Candidates must indicate the positive effect of advertising on sales ✓✓
Provide appropriate figures ✓ ✓ one mark each

Expected response for 4 marks:

Advertising increased by R3 000 but Sales increased by R96 000.

OR

Advertising increased by 37,5% while Sales increased by 20% on bigger base.

4

6.4.2 State ONE consequence of not paying the amount due to creditors in April 2018.

Any ONE valid consequence ✓✓ Part-marks for incomplete / unclear response

- Credit to the business will be stopped by the creditors.
- The credit ratings of business will decrease / could be blacklisted / report to credit bureau
- Business will be charged interest for slow payment.
- Legal action can be taken by the creditors

2

6.4.3 State TWO points in favour of appointing Gentex Cleaning Services.

Any two valid responses ✓✓ ✓✓ Figures not required but may be provided as part of an explanation
Part-marks for incomplete / unclear response

- Outsourced cleaning could cost less than budgeted/actual for wages and cleaning materials
- Easier to budget (fixed contract amount)
- Expertise / professionalism / specialisation of the cleaning company
- No interruption or extra costs due to workers on sick leave etc.
- No storage space needed for cleaning materials
- Leads to reduction in administration costs
- VAT input can be claimed from SARS
- The cleaners can be rotated between different clients if necessary

Explain ONE point that Tony should consider before making this decision.

Any valid response ✓✓ Part-marks for incomplete / unclear response

- Whether it will make the current employees redundant / retrench or reassign the existing cleaners (consider the ethics of this)
- Reliability of the new cleaning company
- Honesty of the workers of the outsourced business
- Negative image of outsourcing to the company
- Whether outsourcing conflicts with their social responsibility programmes
- Instructions to cleaners have to be given through the cleaning firm's managers
- Terms of the contract regarding fee increases

Response for one mark:

- VAT charged on outsourced cleaning services

6

TOTAL MARKS
40