



**NATIONAL
SENIOR CERTIFICATE**

GRADE 12

JUNE 2019

**ACCOUNTING
MARKING GUIDELINE**

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 items). 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 the answer is 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).
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.
This memorandum is not for public distribution; as certain items might imply incorrect treatment. The adjustments made are due to nuances in certain questions
7. Where penalties are applied, the marks for that section of the question cannot be a final negative.
8. Where method marks are awarded for operation, the marker must inspect the reasonableness of the answer before awarding the mark.
9. Operation means 'check operation'. 'One part correct' means operation and one part correct.
NOTE: check operation must be +, -, x, ÷, or per memo
10. In calculations, do not award marks for workings if numerator and denominator are swapped – this also applies to ratios.
11. In awarding method marks, ensure that candidates do not get full marks for any item that is incorrect at least in part. In such cases, do not award the method mark. Indicate by way of ☒
12. Be aware that some candidates provide valid alternatives beyond the memorandum.
13. Codes: f = foreign item; p = placement/presentation.
14. Educators are expected to work through the entire paper and make reasonable adjustments within the framework of the mark allocation, if necessary.

This marking guideline consists of 14 pages.

QUESTION 1

1.1

1.1.1	True	✓
1.1.2	False	✓
1.1.3	True	✓
1.1.4	False	✓

4

1.2 1.2.1 Calculate the value of the closing stock on 30 April 2019.

$$\begin{array}{r} (65 \checkmark \checkmark \times 650 \checkmark \checkmark) + (45 \checkmark \checkmark \times 660 \checkmark) = 71\,950 \checkmark \checkmark \\ 42\,250 \qquad \qquad \qquad 29\,700 \qquad \qquad \qquad * \text{One part correct} \end{array}$$

8

1.2.2 Cost of sales:

Opening stock	✓	122 550
Purchases	✓	331 500
Carriage	✓	17 250
Returns	✓✓	(6 500)
		464 800
Closing stock	see 1.2.1 <input checked="" type="checkbox"/>	(71 950)
Cost of sales Operation	<input checked="" type="checkbox"/> ✓	392 850

Gross Profit %

$$\frac{(576\,000 \checkmark - 392\,850 \checkmark) \times 100}{576\,000 \checkmark} = \begin{array}{l} * \checkmark \checkmark 31,8 \text{ or} \\ 32\% \\ * \text{One part correct} \end{array}$$

Stock holding period for 2019

$$\frac{\frac{1}{2} \checkmark (122\,550 \checkmark + 71\,950 \checkmark) \times \frac{365}{1}}{392\,850 \checkmark \text{ see COS above}}$$

90,4 days or 90 days * One part correct

17

- 1.2.3 **Comment on the stock holding period for 2019. Quote figures.
(The stockholding period for 2018 was 182 days.)**

Figures and trend ✓ ✓
 Stock holding period decreased from 182 days to 90 or 90,4 days
 The stock holding period decreased by 92 or 91,6 days

Comment ✓✓
 Stock is being held for a shorter period
 Stock is being sold more often than previously

4

- 1.2.4 **In order to improve on stock losses (20 suitcases) the previous year, the owner introduced stricter control measures over stock. Comment on whether it was successful. Show calculations.**

Calculations:

(215 + 550 – 10)
 ✓✓755 – ✓640 – ✓110 = *☒5 *One part correct

Comment: ✓✓
 Only 5 suitcases are missing compared with 20 the previous year.

7

Q1:	40	
TOTAL MARKS		

QUESTION 2

2.1.1 **Calculate the correct balance of the Bank Account on 31 January 2019.**

24 740 ✓ + 68 720 ✓ – 74 960 ✓ + 1 080 ✓ + 5 400 ✓ + 270 ✓✓ – 1 400 ✓✓
 + 500✓ – 3 500 ✓ + 1 350✓✓ – 2 100✓
 = 20 100 * *One part correct

Foreign entries: – 1 (max. 1)
 Be aware of foreign entries incorrectly duplicated in journals and/or reconciliation.

15

2.1.2 **Prepare the Bank Reconciliation Statement on 31 January 2019.**

Bank reconciliation statement on 31 January 2019		
	Debit	Credit
Credit balance according to the bank statement		* <input checked="" type="checkbox"/> 17 000 Balancing figure
Credit outstanding deposits (6 800 ✓ + 4 100 ✓)		* <input checked="" type="checkbox"/> 10 900
Debit outstanding cheques:		
No. 723	✓ 1 000	
No. 805	✓ 1 560	
No. 808	✓ 5 400	
Credit amount bank charges over charged		✓✓ 160
Debit balance according to bank account	<input checked="" type="checkbox"/> 20 100 See 2.1.1	
Both columns equal * <input checked="" type="checkbox"/>	28 060	28 060

*One part correct

Foreign entries: – 1 (max. 1)
 Be aware of foreign entries incorrectly duplicated in journals and/or reconciliation.

11

2.1.3 **An internal investigation revealed that deposits are not made immediately. Quote and explain TWO examples which led to this finding.**

- Cash received on 15 November 2018 is not yet deposited ✓✓
- Cash received on 31 December was only deposited on 12 January 2019 ✓✓

4

2.1.4 Provide TWO internal control measures that the business can use to prevent this from happening again.

Two valid responses ✓✓ ✓✓

- Regular supervision/control deposits (documentation)/rotation of duties, etc.
- Division of duties/reminders from banks (SMS immediately)/notify me
- Use senior managers to do deposits immediately, monitor or investigate promptly
- Disciplinary action taken against defaulters – deterrent to other employees

4

2.2 Reconciled Debtor's List on 31 March 2019

H James	1 200 – 300 ✓	✓ 900
A Dyantyi	1 900 – 900 ✓✓	* <input checked="" type="checkbox"/> 1 000
E Rasmeni	2 160 + 40 ✓✓	* <input checked="" type="checkbox"/> 2 200
H Jameson	1 500 + 300 ✓	✓1 800
Total of corrected debtor's list		* <input checked="" type="checkbox"/> 5 900

*Operation

11

Q2: TOTAL MARKS	45	
----------------------------	-----------	--

QUESTION 3

INCOME STATEMENT FOR THE YEAR ENDING 30 APRIL 2019

Sales (7 164 000✓ – 84 000✓ – 16 800✓✓)	7 063 200	* <input checked="" type="checkbox"/>
Cost of Sales	(3 840 000)	✓✓
Gross profit	3 223 200	<input checked="" type="checkbox"/>
Other operating income	341 880	<input checked="" type="checkbox"/>
Bad debts recovered	2 880	✓
Rent income (278 000✓ + 54 000✓✓)	332 000	* <input checked="" type="checkbox"/>
Trading stock surplus (1 847 800 – 1 840 000)	7 000	* <input checked="" type="checkbox"/> ✓
Gross operating income	3 565 080	<input checked="" type="checkbox"/>
Operating expenses	(3 149 880)	
Repairs and maintenance	150 720	
Bank charges	33 600	
Sundry expenses	107 670	
Bad debts 14 520✓ + 2 880✓	17 400	✓
Directors' fees 1 248 800✓ + 89 200✓✓	1 338 000	* <input checked="" type="checkbox"/>
Consumable stores 47 400✓ – 600✓	46 800	✓
Depreciation	243 840	✓
Audit fees 105 600✓ – 5 600✓	100 000	✓
Salaries and wages 985 200✓ + 21 000✓✓	1 006 200	* <input checked="" type="checkbox"/>
Provision for bad debts-adjust. (30 440✓✓ – 26 400✓)	4 040	* <input checked="" type="checkbox"/>
Employers contribution 97 200✓ + 4 410✓	101 610	<input checked="" type="checkbox"/>
Operating profit	415 200	<input checked="" type="checkbox"/>
Interest income ✓	102 820	
Profit before interest expense	518 020	<input checked="" type="checkbox"/>
Interest expense Balancing figure NPBIE – NPBT	(27 520)	<input checked="" type="checkbox"/>
Profit before tax (NPAT + tax)	490 500	<input checked="" type="checkbox"/>
Income tax (NPAT x 28 ÷ 72)	(137 340)	<input checked="" type="checkbox"/> ✓
Net profit for the year (Sales x 5%)	353 160	<input checked="" type="checkbox"/>

50

*One part correct

Q3:		
TOTAL MARKS	50	

QUESTION 4

4.1.1 ISSUED SHARE CAPITAL

✓✓	520 000	Ordinary shares in issue on 1 March 2018	5 200 000	
✓	(100 000)	Ordinary shares re-purchased (Average share price: R10)	(1 000 000)	* ✓
✓	120 000	Ordinary shares issued during the year	1 560 000	✓ ✓
✓	540 000	Ordinary shares in issue on 28 February 2019	5 760 000	✓

9

*One part correct

RETAINED INCOME

Balance on 1 March 2018	(balancing figure)	49 000	✓
Net profit after tax (✓1 741 500 – ✓522 450)		1 219 050	*✓
Shares re-purchased (✓100 000 x R1,70)		(170 000)	*✓✓
Ordinary share dividends		(567 000)	*✓
Interim dividends		405 000	✓
Final dividends (540 000 (See above) x 30c)	✓	162 000	✓
Balance on 28 February 2019		531 050	

11

*One part correct

TRADE AND OTHER RECEIVABLES

Trade debtors	365 250	
Provision for bad debts	(14 610)	✓
	350 640	
Prepaid expenses	11 400	✓
Accrued income	5 910	✓
SARS: Income tax (555 000✓ – 522 450✓)	32 550	✓
	400 500	*✓

7

*One part correct

4.1.2

RADABA LIMITED
STATEMENT OF FINANCIAL POSITION (BALANCE SHEET)
28 FEBRUARY 2019

ASSETS		
Non-current assets		5 651 000 <input checked="" type="checkbox"/>
Fixed Assets (6 791 400✓ – 1 940 000✓)		4 851 000 ✓
Financial assets: (Fixed deposit)		800 000 ✓
Current assets	TA – NCA	1 759 920 <input checked="" type="checkbox"/>
Inventories	Balancing figure	679 520 <input checked="" type="checkbox"/>
Trade and other receivables	(see 4.1.1)	400 500 <input checked="" type="checkbox"/>
Cash and cash equivalents (504 900✓ + 175 000✓)		679 900 * <input checked="" type="checkbox"/>
TOTAL ASSETS	TE & L	7 410 920 <input checked="" type="checkbox"/>
EQUITY AND LIABILITIES		
Shareholders' equity		6 291 050 * <input checked="" type="checkbox"/>
Ordinary share capital	(see 4.1.1)	5 760 000 <input checked="" type="checkbox"/>
Retained income		531 050 ✓
Non-current liabilities		676 800
Loan: Easy Bank (723 900✓ + 122 100✓ -- 169 200✓)		676 800 * <input checked="" type="checkbox"/>
Current liabilities		443 070 * <input checked="" type="checkbox"/>
Trade and other payables (93 690✓ + 18 180✓)		111 870 ✓
Shareholders for dividends	(see 4.1.2)	162 000 <input checked="" type="checkbox"/>
Current portion of loan		169 200 ✓
TOTAL EQUITY AND LIABILITIES		7 410 920 <input checked="" type="checkbox"/>

26

*One part correct

- 4.2 4.1.2 **The company issued additional shares at R9. In your opinion do you think the existing shareholders would be happy with the issue price? Quote ONE financial indicator with actual figure/percentage/ratio to support your statement.**

No. ✓ Comparison of the new issue price and NAV or Market price ✓✓ • The new issue price of R9 is less than the NAV of 1 121 cents or (R11,21) • The new issue price of R9 is less than the Market price on the JSE of 1 050 cents or (R10,50)

3

4.2.2 The directors feel that the shareholders should be satisfied with the performance of the company. Explain and quote TWO financial indicators with actual figures/ ratios/ percentages to support their opinion.

Financial indicators ✓ ✓ Figure and trend ✓ ✓ Explanation ✓ ✓
<ul style="list-style-type: none"> • Dividend per share – increased from 20 cents to 34 cents. • Earnings per share – increased from 120 cents to 133 cents • Return on shareholders’ equity – increased from 13% to 16% (better than the interest rate on fixed deposit of 8%)

6

4.2.3 The directors decided to increase the loan during the current financial year. Quote TWO financial indicators (actual figures/ratios/percentages) that are relevant to their decision. Explain why this was a good decision, or not.

Financial indicator: ✓✓ Figure and trend: ✓✓ ✓✓ Explanation: ✓✓
<ul style="list-style-type: none"> • ROTCE: Improved from 18% to 22% Better than the interest on loan 15% Positively geared • Debt/equity ratio: Although it declined from 0,2 : 1 to 0,3 : 1 it is lowly geared
Low financial risk / not making much use of loans (it relies more on funds from internal sources)

8

Q4:	70	
TOTAL MARKS		

QUESTION 5

5.1

5.1.1

CASH GENERATED FROM OPERATIONS		
Net profit before tax (272 700✓ + 113 400✓)		386 100 ✓
Adjustments for:	Interest expense	108 000 ✓
	Depreciation	96 000 ✓
		590 100
Changes in working capital		23 050 <input checked="" type="checkbox"/>
Change in inventories (264 000✓ - 180 300✓)		83 700 * <input checked="" type="checkbox"/> <input checked="" type="checkbox"/>
Change in debtors (89 900✓ - 90 500✓)		(600) * <input checked="" type="checkbox"/> <input checked="" type="checkbox"/>
Change in creditors (104 300✓ - 44 250✓)		(60 050) * <input checked="" type="checkbox"/> <input checked="" type="checkbox"/>
		613 150 <input checked="" type="checkbox"/>

19

* Operation one part correct

1 mark for the amount and 1 mark for the correct use of the brackets

5.1.2 CASH FLOW STATEMENT ON 30 JUNE 2018

CASH FLOW FROM OPERATING ACTIVITIES		259 400 <input checked="" type="checkbox"/>
Cash generated from operations See 5.1.1		613 150 <input checked="" type="checkbox"/>
Interest paid		(108 000) ✓
Dividends paid (63 000 + 77 000)		(140 000) * <input checked="" type="checkbox"/> <input checked="" type="checkbox"/>
Taxation paid (113 400✓ - 15 400✓ + 7 750✓)		(105 750) * <input checked="" type="checkbox"/>
CASH FLOW FROM INVESTING ACTIVITIES		(396 600) <input checked="" type="checkbox"/>
Fixed assets purchased		(566 600) ✓✓
Proceeds from sale of fixed assets		30 000 ✓✓
Change in financial assets (240 000 - 100 000)		140 000 ✓✓
CASH FLOW FROM FINANCING ACTIVITIES		100 000 <input checked="" type="checkbox"/>
Proceeds from shares issued		440 000 ✓
Shares bought back		(250 000) ✓
Change in loans (970 000 - 880 000)		(90 000) ✓✓
NET CHANGE IN CASH AND CASH EQUIVALENTS		(37 200) <input checked="" type="checkbox"/>
CASH AND CASH EQUIVALENTS AT BEGINNING		(12 800)
CASH AND CASH EQUIVALENTS AT THE END		(50 000) <input checked="" type="checkbox"/>

23

*Operation one part correct

5.2 AUDIT REPORT

5.2.1 What type of report did VOVO Ltd receive? Explain.

Disclaimer of opinion / Adverse ✓

Any valid point ✓✓

- One cannot rely on them as the financial statements are not prepared in accordance to the required standard
- Auditors could not find sufficient audit evidence to express opinion

3

5.2.2 The Companies Act requires public companies to be audited. Provide a reason for this.

Any one valid reason ✓✓

- To prevent public funds to be misused
- To ensure financial statements are fairly reflected
- To be accountable for stakeholders e.g. shareholders
- To protect shareholders
- To discourage fraud

2

5.2.3 Explain ONE major consequence for Makaya&Ntini should they be negligent in performing their duties.

Any one valid consequence ✓✓

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

2

5.2.4 Name ONE other party, other than the shareholders, that would be interested in this audit opinion and give a reason for their interest.

Party✓ reason✓

- Prospective investors – to see if the company is being operated according to the law
- Lenders – to see whether the company is secure
- SARS – to determine if the tax is calculated accurately
- Competitors – to compare results/assess progress
- Government – to compare results

2

- 5.2.5 **Briefly indicate how this audit report would possibly affect the shares of VOVO LTD on the Johannesburg Securities Exchange (JSE). Mention TWO points.**

Any TWO valid points ✓✓✓✓

- Potential investors and shareholders would lose confidence in the company and directors, and would not want to invest in the company
- Current shareholders will lose confidence in the company and directors, and will try to sell their shares
- Share price of the company will drop (supply and demand)
- Negative image of the company (bad publicity)

4

Q5:	55	
TOTAL MARKS		

QUESTION 6

6.1 FIXED ASSETS:

6.1.1 Calculate the missing figures indicated by A to E in the incomplete Fixed Assets Note.

A	2 100 000 + 200 000	2 300 000	✓
B	350 000 – 180 000	170 000	✓
C	950 000 – 650 000	300 000	✓
D	400 000 x 15%	60 000	* <input checked="" type="checkbox"/> <input checked="" type="checkbox"/>
E	350 000 – 32 000	318 000	* <input checked="" type="checkbox"/> <input checked="" type="checkbox"/>

*One part correct

7

6.1.2 Prepare the Asset Disposal Account for the office furniture sold.

ASSET DISPOAL

2018 Sept	30	Equipment	✓32 000	2018 Sept	30	Accumulated depreciation on equipment 8 000 (✓1 600+✓6 400+✓✓4 800)	* <input checked="" type="checkbox"/> 12 800
						Bank	✓10 000
						Donations ✓	<input checked="" type="checkbox"/> ✓9 200
			32 000				32 000

*One part correct

10

**6.1.3 Comment on the sale of land to the husband of the CEO.
See information B.**

The company can sell to anybody as long as an individual is not disadvantaged towards someone else, and the price is the best and to the benefit of the company and its shareholders. ✓✓
--

2

6.2 VAT

Calculate the amount of VAT payable to/receivable from SARS on 28 February 2019. Indicate whether the amount is payable or receivable.

$49\ 800 \checkmark + 61\ 920 \checkmark\checkmark - 72\ 000 \checkmark\checkmark - 3\ 000 \checkmark + 1\ 500 \checkmark$ $- 750 \checkmark\checkmark + 5\ 700 \checkmark\checkmark = 43\ 170^* \checkmark$ *One part correct Payable <input checked="" type="checkbox"/>	<table border="1" style="width: 100%; height: 100%; border-collapse: collapse;"> <tr><td style="height: 20px;"> </td></tr> <tr><td style="text-align: center;">13</td></tr> </table>		13
13			

6.3 VAT ETHICS

6.3.1 Why should Rantsi Traders produce a proof of sales?

Any valid response $\checkmark\checkmark$ <ul style="list-style-type: none"> • SARS needs documentation to trace the sales • To be ethical by not avoiding tax charges 	<table border="1" style="width: 100%; height: 100%; border-collapse: collapse;"> <tr><td style="height: 20px;"> </td></tr> <tr><td style="text-align: center;">2</td></tr> </table>		2
2			

6.3.2 How would this affect the VAT returns of Rantsi Traders?

He would be paying SARS the correct VAT on the amount that he collected from the customers $\checkmark\checkmark$	<table border="1" style="width: 100%; height: 100%; border-collapse: collapse;"> <tr><td style="height: 20px;"> </td></tr> <tr><td style="text-align: center;">2</td></tr> </table>		2
2			

6.3.3 Advise Rantsi Traders of the implications, should he agree to this request. Mention TWO points.

Any valid advice $\checkmark\checkmark \checkmark\checkmark$ <ul style="list-style-type: none"> • This is fraud (illegal) • Could get a heavy fine • Sentenced to jail 	<table border="1" style="width: 100%; height: 100%; border-collapse: collapse;"> <tr><td style="height: 20px;"> </td></tr> <tr><td style="text-align: center;">4</td></tr> </table>		4
4			

Q6:	40	
TOTAL MARKS		

TOTAL: 300

