



**NATIONAL  
SENIOR CERTIFICATE**

**GRADE 12**

**JUNE 2018**

**ACCOUNTING  
MARKING GUIDELINE**

**MARKING PRINCIPLES**

1. Penalties for foreign items are applied only if the candidate has not lost marks elsewhere in the question for that item (no foreign item penalty for misplaced item). No double penalty applied.
2. Penalties for placement or poor presentation (e.g. details) are applied only if the candidate has earned 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.
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 before awarding the mark.
10. 'Operation' means 'Check operation'. 'One part correct' means 'Operation and one part correct'.  
*Note:* Check operation means must be +, –, x or ÷ as per memo, but some items can be + or – such as provision for bad debts adjustment / sale of asset.  
*Note:* Where appropriate, use of numerator and denominator must be correctly applied to earn marks.
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.

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This marking guideline consists of 13 pages.

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## QUESTION 1: INVENTORY VALUATION

## 1.1 CONCEPTS

1.1.1	First in first out (FIFO) ✓
1.1.2	Periodic inventory system ✓
1.1.3	Specific identification ✓
1.1.4	Perpetual inventory system ✓

4

## 1.2.1 Calculate the following for schoolbags on 30 April 2018:

- The value of the closing stock

120 – 12

$$108 \checkmark \checkmark^* \times 150 = 16\,200 \checkmark^*$$

125 – 108

$$17 \checkmark \checkmark^* \times 145 \checkmark = 2\,465 \checkmark^*$$

$$\text{Total: } 18\,665 \checkmark^*$$

\*one part correct

8

- Cost of sales:

$$15\,340 + 52\,310 - 1\,800 - 18\,665 = 47\,185$$

✓

✓

(12 x 150)

✓✓

✓ above

✓ one part correct

6

## 1.2.2 Calculate the following for stationery cases on 30 April 2018:

- The number of units missing

Units sold:  $15\,550/50 = 311$ 

$$92 \checkmark + 395 \checkmark - 48 \checkmark - 111 \checkmark - 311 \checkmark \checkmark = 17 \text{ units } \checkmark \text{ One part correct}$$

7

- The value of the closing stock

$$2\,760 \checkmark + 14\,135 \checkmark + 1\,467 \checkmark - 1\,680 \checkmark \checkmark \times 111 \checkmark = 4\,218 \checkmark \text{ One part correct}$$

$$439 \checkmark \checkmark \text{ One part correct}$$

$$92 + 395 - 48$$

9

## 1.2.3 Suggest TWO internal control measures that the business can use to reduce the incidence of missing stock.

TWO valid suggestions ✓✓ ✓✓

- Tighten physical security
- Have regular/random stock control
- Install security tags on products / scanning devices

For one mark:

Cameras/CCTV/Division of duties

4

1.2.4 Refer to information C:  
The business decided to sell computer bags from 1 February 2018.

<p><b>(i) Calculate the value of the closing stock using the specific identification method.</b></p> $\begin{array}{rcccl} 30 - 16 & & 20 - 12 & & 10 - 2 \\ (14 \times R450) & + & (8 \times 540) & + & (8 \times 600) \\ R6\,300 & & R4\,320 & & R4\,800 & = & R15\,420 \\ \checkmark\checkmark & & \checkmark\checkmark & & \checkmark\checkmark & & \checkmark \text{ one part correct} \end{array}$	<table border="1" style="width: 100%; height: 30px;"><tr><td style="text-align: center;">7</td></tr></table>	7
7		
<p><b>(ii) Was the idea of introducing the computer bags successful or not? Explain. Quote figures.</b></p> <p>Yes / No ✓</p> <p>Explanation ✓✓ figures ✓✓</p> <ul style="list-style-type: none"><li>• Sales volume is low, may need more advertising; R25 500 (30 x 850).</li><li>• Only 30 units sold of a possible 60 (50%)</li><li>• Closing stock units is high; 30 of 60 (50%)</li><li>• R15 420 tied up in stock see (i) above.</li></ul>	<table border="1" style="width: 100%; height: 30px;"><tr><td style="text-align: center;">5</td></tr></table>	5
5		

<b>Q1</b>	<b>50</b>	
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## QUESTION 2: RECONCILIATIONS

## 2.1 TRUE or FALSE

2.1.1	False ✓
2.1.2	False ✓
2.1.3	True ✓
2.1.4	True ✓

4

## 2.2 CREDITORS' RECONCILIATION

	CHANGES TO THE CREDITORS' LEDGER	CHANGES TO THE STATEMENT BALANCE
<b>BALANCE</b>	<b>11 570</b>	<b>8 300</b>
(a)	930 ✓	930 ✓
(b)	(640) ✓✓ 320 + 320 one mark each	
(c)		(2 700) ✓✓ 8 530 – 5 830
(d)	450 ✓✓	
(e)		2 000 ✓
(f)		3 840 ✓
(g)	60 ✓	
	12 370	<input checked="" type="checkbox"/> * 12 370

\*For both totals; inspect; need not be the same.  
One mark for the amount and one mark for the increase or decrease  
-1 for foreign entry on each line, provided a mark has been earned.

12

## 2.3 AGE ANALYSIS

PROBLEM (WITH EVIDENCE) ✓✓ ✓✓ ✓✓	SUGGESTION ✓ ✓ ✓
Debtors not abiding by <u>credit terms</u> • Hendry, Williams and Dianna have accounts more than 30 days; • R2 750 is more than 30 days overdue.	Charge interest; do not allow further purchases.
Hendry has exceeded his <u>credit limit</u> . 3 550 balance; limit is 3 200.	Programme till to detect clients' balances; get them to pay the access when going over.
Williams (R500) and Hendry (750) are allowed to buy goods even though they do not abide by the terms (internal control problem)	Restrict future purchases; request some payment before additional purchases

9

Accept either names or amounts as evidence

Q2

25

QUESTION 3: FIXED ASSETS AND INCOME STATEMENT

3.1 CONCEPTS

3.1.1	Income statement (Statement of Comprehensive Income) ✓
3.1.2	Cash Flow Statement ✓
3.1.3	Independent / External Auditors' Report ✓
3.1.4	Balance Sheet (Statement of Financial Position) ✓

4

3.2 FOUCHE LTD

3.2.1

<b>CALCULATE: DEPRECIATION VEHICLES:</b>	<b>TOTAL</b>
Sold: $175\,000 \checkmark \times 15\% \times 10/12 \checkmark = 21\,875 \checkmark^*$	21 875
Old: $(620\,000 - 175\,000) \times 15\% = 66\,750 \checkmark \checkmark^*$ <span style="margin-left: 100px;">445 000</span>	66 750
<b>EQUIPMENT:</b>	3 100
$62\,000 \checkmark \times 10\% \times 6/12 \checkmark = 3\,100 \checkmark^*$	<u>17 400</u>
$(482\,000 - 62\,000 \checkmark - 246\,000 \checkmark) \times 10\% = 17\,400 \checkmark^*$	<u>109 125</u> ✓*
	* One part correct

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3.2.1

GENERAL LEDGER OF FOUCHE LTD  
ASSET DISPOSAL ACCOUNT

2018 Mar	1	<b>Vehicles</b>	175 000 ✓	2018 Mar	1	Accumulated depreciation on vehicles ✓ (78 750 ✓ + 21 875) ✓ (see above )	100 625 ✓
						Bank ✓	50 000 ✓
						Loss on sale of asset ✓ Balancing figure could be Dr	24 375 ✓
			175 000				175 000

9

## 3.2.2 INCOME STATEMENT FOR THE YEAR ENDED 30 APRIL 2018

	<b>Sales</b>	9 786 540 ✓ – 87 540 ✓	9 699 000 <input checked="" type="checkbox"/> *
	<b>Cost of sales</b>		(5 699 000) ✓
5	<b>Gross profit</b>		4 000 000 <input checked="" type="checkbox"/> *
	<b>Other income</b>		80 000 <input checked="" type="checkbox"/> *
	Rent income	88 500 ✓ – 23 250 ✓✓	65 250 <input checked="" type="checkbox"/> *
	Provision for bad debts adj.	9 800 – 8 400	1 400 ✓ <input checked="" type="checkbox"/> *
	Bad debts recovered		13 350 ✓
8	<b>Gross income</b>		4 080 000
	<b>Operating expenses</b>	Gross income minus operating profit	(1 752 240) <input checked="" type="checkbox"/> *
	Depreciation	See 3.2.1	109 125 <input checked="" type="checkbox"/>
	Loss on sale of asset	See 3.2.1	24 375 <input checked="" type="checkbox"/>
	Trading stock deficit	765 000 – 752 400	12 600 ✓ <input checked="" type="checkbox"/> *
	Packing material	32 800 ✓ – 3 800 ✓	29 000 ✓
	Audit fees	43 200 ✓ + 14 400 ✓✓	57 600 <input checked="" type="checkbox"/> *
	Directors' fees	539 200 ✓ – 33 700 ✓✓	505 500 <input checked="" type="checkbox"/> *
	Bad debts	9 660 ✓ + 4 340 ✓✓	14 000 <input checked="" type="checkbox"/> *
	Salaries and wages		575 400 ✓
	Municipal services		303 400 ✓
	Sundry expenses	Balancing figure	121 240 <input checked="" type="checkbox"/>
25	<b>Operating profit</b>	24% of sales	2 327 760 ✓✓
	<b>Interest income</b>	Balancing figure	67 540 <input checked="" type="checkbox"/>
	<b>Profit before interest expense</b>	operation added	2 395 300 <input checked="" type="checkbox"/>
	<b>Interest expense</b>		(76 300) ✓
	<b>Net profit before income tax</b>	742 080 x 100/32	2 319 000 ✓ <input checked="" type="checkbox"/>
	<b>Income tax</b>		(742 080) ✓
7	<b>Net profit after income tax</b>	operation subtracted	1 576 920 <input checked="" type="checkbox"/>

45

\* one part correct

Q3	70	
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**QUESTION 4: BALANCE SHEET AND AUDIT REPORT****4.1.1 ORDINARY SHARE CAPITAL**

720 000 ✓✓	Ordinary shares on 1 March 2017	4 022 000 ✓
200 000 ✓	Shares issued at R6,80 each	1 360 000 ✓
(100 000) ✓	Shares re-purchased (ASP: 5,85 ✓✓)	(585 000) ✓*
820 000 ✓*	Closing balance (28 February 2018)	4 797 000 ✓*

11

\*one part correct

**4.1.2 RETAINED INCOME**

Opening balance		413 220 ✓
Net profit after income tax (535 000 – 160 500)		374 500 ✓✓*
Funds used for shares re-purchased (100 000 ✓ x 1,15 ✓) R7,00 – ASP see 4.1.1		(115 000) ✓*
Ordinary share dividends		(341 000) ✓
Interim dividends (920 000 ✓ x 13 cents ✓)		119 600 ✓*
Final dividends (820 000 ✓ x 27 cents ✓)		221 400 ✓*
Closing balance		331 720 ✓*

14

\*one part correct

**4.1.3 TRADE AND OTHER PAYABLES**

Creditors control		219 400 ✓
Accrued expenses		16 490 ✓
Income received in advance		8 880 ✓
SARS: income tax		12 730 ✓✓
Shareholders for dividends See 4.1.2		221 400 ✓
Short term loan (20% of 946 500) or see Balance Sheet		189 300 ✓✓
		668 200 ✓*

9

\*one part correct

## 4.2 BALANCE SHEET AS AT 28 FEBRUARY 2018

	<b>NON-CURRENT ASSETS</b>	TA - CA	5 783 600	<input checked="" type="checkbox"/>
	• <b>Fixed assets (carrying value)</b>	balancing figure	5 613 600	<input checked="" type="checkbox"/>
5	• Fixed deposit (230 000 ✓ – 60 000 ✓)		170 000	<input checked="" type="checkbox"/> *
	<b>CURRENT ASSETS</b>		828 000	<input checked="" type="checkbox"/> *
	• <b>Inventories</b>		442 700	<input checked="" type="checkbox"/>
	• Trade and other receivables (305 240 ✓ + 12 560 ✓)		317 800	<input checked="" type="checkbox"/> *
	• Cash and cash equivalents (7 500 ✓ + 60 000 <input checked="" type="checkbox"/> see fixed deposit)		67 500	<input checked="" type="checkbox"/> *
	•			
9	<b>TOTAL ASSETS</b>	TE + L	6 611 600	<input checked="" type="checkbox"/>
	<b>EQUITY AND LIABILITIES</b>			
	<b>SHAREHOLDERS EQUITY</b>		5 128 720	<input checked="" type="checkbox"/> *
	• <b>Ordinary share capital</b>	4.1.1	4 797 000	<input checked="" type="checkbox"/>
3	• Retained income	4.1.2	331 720	<input checked="" type="checkbox"/>
	<b>NON-CURRENT LIABILITIES</b>		757 200	
5	Loan: Fraser Bank (1 020 000 ✓ – 204 000 ✓ + 130 500 ✓ – 189 300 <input checked="" type="checkbox"/> )	or see 4.1.3	757 200	<input checked="" type="checkbox"/> *
	<b>CURRENT LIABILITIES</b>		725 680	<input checked="" type="checkbox"/> *
	Trade and other payable	4.1.3	668 200	<input checked="" type="checkbox"/>
	Bank overdraft		57 480	
3	<b>TOTAL EQUITY AND LIABILITIES</b>		6 611 600	<input checked="" type="checkbox"/> *

25
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\*one part correct



4.3 **AUDIT REPORT**

4.3.1

**Briefly explain the role of an independent auditor.**

ONE valid explanation ✓✓

- Express an unbiased opinion on the financial statements of a company.
- Examine the books of a company in terms of auditing standards and express an opinion on the fair presentation of information.
- Protect the interest of shareholders by objectively examining the accounting records and presenting their findings in an audit report.

2

4.3.2

**What type of audit did the company receive? Explain.**

Qualified ✓

Reason ✓✓ must mention the exception.

- The marketing expenses could not be verified.
- Did not mention “fairly represent” in all respects.
- They were satisfied, except for the marketing expense which had no documentation as evidence.

3

4.3.3

**Briefly explain why the independent auditor was not willing to follow the request of the CEO. Give ONE point.**

Explanation ✓✓

- He would be going against the standards and ethics of his profession.
- It is unethical, amounts to fraudulent behaviour – aimed to deceive.
- He has a code of conduct to uphold.

**Provide TWO possible consequences for the auditor if he agrees to this request.**

Any TWO consequences ✓✓ ✓✓

- He could lose his licence to operate as an auditor.
- He will face disciplinary action, which could result in him being dismissed.
- He will tarnish the reputation of his company (bad public image).
- The audit firm would lose business.

2

4

<b>Q4</b>	<b>70</b>	
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**QUESTION 5: CASH FLOW STATEMENT AND INTERPRETATION**

**5.1 MATCHING**

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

4

**5.2.1 Calculate only the missing figures indicated by (a) to (e) in the Cash Flow Statement on 31 December 2017.**

	WORKINGS	ANSWER
<b>(a)</b>	<b>Dividends paid</b> $2\,700\,000 \times 0,33$ $485\,100 \checkmark + 891\,000 \checkmark \checkmark$	<b>1 376 100</b> <input checked="" type="checkbox"/> one part correct
<b>(b)</b>	<b>Proceeds on sale of fixed assets</b> $350\,000 \checkmark - 247\,500 \checkmark$	<b>102 500</b> <input checked="" type="checkbox"/> one part correct
<b>(c)</b>	<b>Fixed assets purchased</b> $5\,953\,000 \checkmark + 102\,500 \checkmark + 214\,500 \checkmark - 5\,692\,500 \checkmark$ <p style="text-align: center;">See (b) above</p>	<b>577 500</b> <input checked="" type="checkbox"/> one part correct
<b>(d)</b>	<b>Net change in cash and cash equivalents</b> $542\,250 \checkmark - 631\,750 \checkmark + 385\,500 \checkmark$	<b>296 000</b> <input checked="" type="checkbox"/> one part correct
<b>(e)</b>	<b>Cash equivalents: end of year</b> $296\,000 \checkmark - 198\,000 \checkmark$ <p style="text-align: center;">See (d) above</p>	<b>98 000</b> <input checked="" type="checkbox"/> one part correct

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**5.2.2 Calculate the % operating expenses on sales on 31 December 2017.**

$\frac{2\,015\,720 \checkmark}{8\,764\,000 \checkmark} \times \frac{100}{1}$ <p>= 23% <input checked="" type="checkbox"/> one part correct</p>
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3

<p><b>Calculate the solvency ratio on 31 December 2017.</b></p> $\frac{6\,673\,000 + 600\,000 + 758\,000}{8\,031\,000 \checkmark \checkmark^*} : \frac{758\,000 + 600\,000}{1\,358\,000 \checkmark \checkmark^*}$ <p style="text-align: center;">= 5,9 : 1 <input checked="" type="checkbox"/>*      * one part correct</p>
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5

**Calculate the debt/equity ratio on 31 December 2017.**

600 000 ✓ : 6 673 000 ✓

= 0,1 : 1  one part correct

3

**5.2.3 Comment on the operating efficiency of the company for the year ended 31 December 2017. Quote TWO financial indicators (with figures) to support your comments.**

TWO relevant financial indicators ✓ ✓ figures ✓ ✓  
 Comment ✓ ✓

See 5.2.2

- Operating expenses on sales increased from 18% to 23% indicating less control over expenses or wastage.
- Operating profit on sales decreased from 14% to 11,3% indicating a decline in the profitability of the business.
- Net profit after tax on sales decreased from 26,8% to 21,3% indicating lower overall profitability.

6

**5.2.4 Should the shareholders be happy with their returns and dividends for the year ended 31 December 2017? Explain. Quote THREE financial indicators (with figures) to support your comments.**

Yes / No ✓

Name THREE relevant financial indicators ✓ ✓ ✓ figures with trend ✓ ✓ ✓  
 Explanation ✓✓

- EPS decreased from 85 to 78 cents per share.
- DPS decreased from 60 to 53 cents per share.
- ROSHE decreased from 37% to 35,5%.

Explanation for No:  
 These indicators represent a decline and shareholders would not be happy. They would be concerned that the dividends and earnings decreased this year.

Explanation for Yes:  
 Although these indicators represent a decline, the ROSHE still exceeds the return on alternative investments and the EPS and DPS are both reasonable.

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**5.2.5 The CEO feels that it would be a good idea to increase the loans next year. Quote TWO financial indicators (actual ratios or percentages) to support his opinion.**

Financial indicators ✓ ✓ figures ✓ ✓ Valid explanation ✓ ✓

- The interest rate is 13% p.a. and the return on capital employed was 44,2% in 2016, thus the returns are geared upwards (47%).
- Debt-equity ratio improved from 0,2 to 0,1 : 1. This is very favourable for banks to approve additional loans. Low gearing / low risk.

6

<b>Q5</b>	<b>55</b>	
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**QUESTION 6: VAT AND PROBLEM-SOLVING**

6.1

<b>6.1.1</b>	Input VAT ✓
<b>6.1.2</b>	More than R1 000 000 ✓
<b>6.1.3</b>	Every two months ✓
<b>6.1.4</b>	SARS ✓

4
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**6.2 PLEASURE PATIOS**

6.2.1

**Calculate the amount payable to/receivable from the tax office for VAT on 30 April 2018. Indicate receivable/payable.**

$$\begin{array}{cccccccc}
 8\ 300 & + & 48\ 030 & - & 44\ 175 & + & 21\ 360 & - & 24\ 360 & - & 945 & - & 390 & + & 270 \\
 \checkmark & & \checkmark & & \checkmark\checkmark & & \checkmark\checkmark & & \checkmark & & \checkmark & & \checkmark\checkmark & & \checkmark \\
 \hline
 = & 8\ 090 & \checkmark & & \text{payable} & & \checkmark \\
 & & \text{one part correct} & & & & 
 \end{array}$$

Or:  
 Output: 48 030 + 21 360 + 270 = 69 660  
 Input: 44 175 + 24 360 + 945 + 390 = 69 870  
 8 300 + 69 660 – 69 870 = 8 090

Accept all the alternative presentations, including ledger account, signs reversed etc.  
 Mark to give the maximum benefit to candidates.

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6.2.2

**Provide TWO benefits of doing taxes through e-filing.**

Any TWO points ✓ ✓

- Time saving – done at your convenience.
- Done in the comfort of one’s own business or home / safe and secure.
- No opening and closing times to stress about.
- No queues – time and money wasted.
- On-line help available / call centres.

**Give ONE point of advice to Phillip.**

Any ONE advice ✓

- Protect password / PIN.
- Double check information before sending or making payments.
- Update computer software regularly to be up to date or current.
- Only deal with reputable clients.

2
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1
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6.3 PROBLEM-SOLVING

6.3.1

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

PROBLEM ✓ ✓ FIGURES ✓ ✓	SOLUTION ✓ ✓
<b>SHOP 1:</b> <ul style="list-style-type: none"> <li>High mark-up % (85%) may be contributing to low sales volume.</li> <li>High stock holding period (165 days)</li> </ul>	<ul style="list-style-type: none"> <li>Reduce the mark-up % to clear stock.</li> <li>Sell old stock at a clearance sale.</li> <li>Offer discounts for bulk purchases.</li> </ul>
<b>SHOP 2:</b> <ul style="list-style-type: none"> <li>Low sales volume R160 000 compared to the other shops.</li> <li>Not much money spent on advertising, R6 400 (4% of sales).</li> <li>Only open 5 days per week.</li> <li>Only has 2 assistants.</li> <li>High returns – R24 000 (15% of sales)</li> </ul>	<ul style="list-style-type: none"> <li>Intensify the advertising to promote sales, open on at least 1 more day.</li> <li>Employ additional assistants if you wish to extend shopping hours.</li> <li>Stock better quality goods.</li> </ul>

6

6.3.2

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

Decision ✓ ✓ figures ✓ ✓

- Open 7 days a week – resulted in more sales (760 000).
- Advertising amounts to 7% of sales (R53 200) – and therefore better sales.
- High rent of R95 000 – suggests that this shop is at an up-market place which would attract a different class of clients.

4

<b>Q6</b>	<b>30</b>	
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TOTAL: 300