



Province of the
EASTERN CAPE
EDUCATION

**NATIONAL
SENIOR CERTIFICATE**

GRADE 12

SEPTEMBER 2015

**ACCOUNTING
MEMORANDUM**

GENERAL RULES:

1. Award full marks for the correct final answers. If the answer is incorrect, mark the workings provided. If a workings figure/amount is shown as a final answer, allocate the working mark.
2. "Method" marks are denoted by
 - In calculations and final totals, at least one part of the workings must be correct to earn the mark.
 - In cases where answers of previous questions must be used, check the transfer.
 - Ignore brackets on statements, but check the operation before awarding marks.
3. Where penalties are applied, the marks for that section cannot be a negative. (foreign items)
4. For questions requiring explanations and comments, award part-marks. A good explanation will normally mention and explain a point. Beware of alternative wording reflecting the same points. This marking guideline provides some explanations – they are not conclusive. Read the candidates' responses and give credit for their interpretations.
5. Where appropriate/acceptable, accept recognisable abbreviations.
6. Educators are expected to work through the entire paper and make reasonable adjustments within the framework of the mark allocation.

This memorandum consists of 17 pages.

QUESTION 1: COST ACCOUNTING

1.1	1.1.1	Direct labour cost	✓
	1.1.2	Factory overhead cost	✓
	1.1.3	Administration cost	✓
	1.1.4	Direct material cost	✓
	1.1.5	Selling and distribution cost	✓

5

1.2 1.2.1 **FACTORY OVERHEAD COST**

Consumable stores	(31 080 ✓ – 3 180 ✓)	27 900 ✓
Water and electricity	(37 220 + 3 280) x 75%	30 375 ✓✓
Insurance	(14 820 ✓ – 1 480 ✓) x ³ / ₄	10 005 ✓
Factory salary		113 040 ✓
Sundry expenses		21 840 ✓
	Operation (one part correct)	203 160 ✓
-1 foreign items (maximum – 2)		

11

1.2.2 **PRODUCTION COST STATEMENT – 28 FEBRUARY 2015**

✓ Direct material cost		748 000 ✓
✓ Direct labour cost (532 000 ✓ + 58 520 ✓ + 12 000 ✓✓ + 1 320 ✓)		One part correct 603 840 ✓
Prime cost	Operation	1 351 840 ✓
✓ Factory overhead cost	Refer 1.2.1	203 160 ✓
Total manufacturing cost	Operation	1 555 000 ✓
Work-in-process (1 March 2014)		142 400 ✓
		1 697 400
Work-in-process (28 February 2015)		(101 400) ✓
Cost of production of finished goods	Operation (subtracted)	1 596 000 ✓

16

1.3 Naidoo's Toy Shop

1.3.1 Confirm that the break-even point for 2015 is correct by doing a calculation.

$$\begin{array}{r}
 \text{R54} \times 2\,640 \text{ (2 marks)} \\
 \hline
 142\,560 \checkmark\checkmark \\
 \text{R172} \checkmark - \text{R120} \checkmark \\
 \hline
 \text{R52 (2 marks)}
 \end{array}
 = 2\,741,5 \text{ or } 2\,742 \text{ units}$$

4

1.3.2 Explain whether Naidoo should be concerned about the break-even point for 2015. Quote relevant figures in your explanation.

Good explanation (with figures) ✓✓✓ satisfactory ✓✓ weak ✓ wrong "0"

She should be concerned because she failed to break even (made a loss)
 BEP was 2 742 ; she only produced 2 640 units.

3

1.3.3 Provide ONE reason each for the change in the direct material cost per unit and the direct labour cost per unit.

Any valid explanation (2 marks for each) ✓✓ ✓✓
 Award part marks for incomplete correct answers.
 Figures are not required.

Direct material cost	Increase is greater than an inflationary increase. Could be wastage, poor workmanship (mistakes). Increased transport costs (carriage on purchased) Not able to get bulk discounts due to reduced production
Direct labour cost	Disruptions in production due to strikes/load shedding. Less overtime worked. More efficient machinery used in the production process.

4

1.3.4 Provide a suitable reason for the decrease in the break-even point from 2014 to 2015.

Valid reason ✓✓

Increase in variable costs. (raw materials specifically)
 Maintaining the selling price at R172.

2

Q1: TOTAL MARKS	45	
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QUESTION 2: BUDGETING

2.1 List TWO items on the Projected Income Statement provided, that would not appear on a cash budget.

Any TWO ✓✓

Cost of sales
Discount received
Depreciation
Trading stock deficit

2

2.2

A	Gross profit	$120\,000 - 75\,000 = 45\,000$ ✓✓ (Two marks or nothing)	<table border="1"> <tr><td> </td></tr> <tr><td>2</td></tr> </table>		2
2					
B	Cost of sales	$132\,000 \checkmark \times \frac{100}{160} \checkmark \checkmark = 82\,500$ ☑ (one part correct) Or: $132\,000 \times 62,5\%$ or $132\,000 - (132\,000 \times 37,5\%)$	<table border="1"> <tr><td> </td></tr> <tr><td>4</td></tr> </table>		4
4					
C	Advertising	$\frac{2\,400}{120\,000} = 2\%$ $132\,000 \checkmark \times 2\% \checkmark \checkmark = 2\,640$ ☑ (one part correct)	<table border="1"> <tr><td> </td></tr> <tr><td>4</td></tr> </table>		4
4					
D	Salaries	$17\,100 \times 108\% = 18\,468$ ✓☑ (one part correct) Or $17\,100 + 1\,368 = 18\,468$	<table border="1"> <tr><td> </td></tr> <tr><td>2</td></tr> </table>		2
2					
E	Net Profit after tax	$\frac{17\,040}{(17\,625 - 585) \times 30\%} = 5\,112$ $17\,040 \checkmark - 5\,112 \checkmark \checkmark = 11\,928$ ☑ (one part correct)	<table border="1"> <tr><td> </td></tr> <tr><td>4</td></tr> </table>		4
4					

2.3

2.3.1 The percentage increase in wages that the cleaners will receive in December 2015.

$$\frac{176 \checkmark\checkmark}{3\,200 \checkmark} \times 100 = 5,5\% \checkmark \quad (\text{one part correct})$$

4

2.3.2 The monthly salary due to the sales manager in December 2015.

$$\frac{(17\,100 - 300)}{2} = 8\,400 \quad (8\,400 \checkmark + 300 \checkmark) \times 108\% \checkmark = 9\,396 \checkmark$$

(one part correct)

4

2.3.3 The total credit sales expected in December 2015.

$$(99\,000 \checkmark \times 160\% \checkmark) \times 75\% = 118\,800 \checkmark \quad (\text{one part correct}) \quad \text{OR}$$

$$132\,000 \times 120\% = 158\,400 \times 75\% = 118\,800$$

3

2.3.4 The loan balance on 1 November 2015.

$$585 \checkmark \times \frac{1200}{9} \checkmark = 78\,000 \checkmark \quad (\text{one part correct})$$

3

2.4

Refer to the actual figures for Depreciation and Trading stock deficit for October 2015. In each case, provide a reason for the difference with the budgeted figures.

Depreciation	Any reasonable answer ✓ Purchase of a new asset. Calculation error (omission).
Trading stock deficit	Any reasonable explanation ✓ Unanticipated stock loss. Random stock take revealed stock shortage. Damaged goods noted and taken into account.

2

2.5

Refer to the actual figures for October 2015.

Comment on any two expenses that were not well controlled by the business. In each case, quote the relevant figures and give ONE suggestion on how this expense can be more effectively managed.

EXPENSE	COMMENT (with figures)	SUGGESTION
Any TWO of :	Comment and figure ✓✓ each	Suggestion ✓ each
Maintenance	Over budgeted / underspent. (4 000 – 1 650)	Adjust budget or use the money wisely to maintain the assets. This could extend the lifespan and productivity of the assets.
Telephone	Overspent / under budgeted. (2 000 – 4 280) over 50%	Control usage or check for misuse. Budget correctly if found to be necessary.
Advertising	Underspent / over budgeted. 2 400 – 1 900	Spend money allocated. Look at different forms of advertising. May result in better sales/profit.

6

Q2: TOTAL MARKS	40	
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QUESTION 3: COMPANIES – FINANCIAL STATEMENTS3.1 **MATCHING-ITEMS**

3.1.1	C	✓
3.1.2	E	✓
3.1.3	D	✓
3.1.4	A	✓
3.1.5	B	✓

5

3.2 **FINANCIAL STATEMENTS: NOTES****(a) FIXED ASSETS**

	BUILDING	VEHICLES	EQUIPMENT
Cost (1/3/2014)	0	750 000 ✓✓	375 500
Accumulated Depreciation (1/3/2014)	(0)	(450 000)	(141 500)
CARRYING VALUE (1/3/2014)	0	300 000 ☑	234 000 ☑
MOVEMENTS:			
Additions	2 500 000 ✓	-	24 800 ✓✓
Disposals	-	(56 250) ✓✓✓	-
Depreciation	-	(103 125)	(48 040) ✓✓
CARRYING VALUE (28/2/2015)	2 500 000	140 625 ☑	210 760 ☑
Cost (28/2/2015)	2 500 000	562 500	400 300
Accumulated depreciation (28/2/2015)	(0)	(421 875) ☑	(189 540)

15

(b) ORDINARY SHARE CAPITAL

560 000 ✓✓	Issued shares on 1 March 2014	2 924 000 ✓
120 000 ✓	Additional shares issued during the financial year	816 000 ✓
(50 000) ✓	Shares re-purchased (50 000 x 5,50)	(275 000) ✓✓
630 000 ☑	Issued shares on 28 February 2015	3 465 000 ☑

10

(c) RETAINED INCOME

Balance (1 March 2014)		89 000	✓	
Net profit after income tax	(1 005 000 ✓✓ – 281 400 ✓)	723 600	✓	
Shares re-purchased	(50 000 x 1,50 ✓)	(75 000)	✓	
Ordinary share dividends		(469 600)	✓	
• Interim dividends (paid)		252 000	✓	
• Final dividends (recommended)	680 000 x 0,32 cents (one part correct)	217 600	✓✓	
Balance (28 February 2015)	Operation	268 000	✓	12

(d) TRADE AND OTHER PAYABLES

Creditors control		203 900	✓	
Accrued expenses		19 220	✓	
Shareholders for dividends	Refer note above (final dividends)	217 600	✓	
SARS: Income tax		25 500	✓	
Short term portion of loan	159 500 ✓ x $\frac{12}{11}$ ✓	174 000	✓	
	Operation (one part correct above)	640 220	✓	8

3.2.2 Calculate the net asset value per share (NAV) after the re-purchase of shares.

$$\frac{\text{See 3.2(b)} \quad \text{see 3.2(c)} \\ (3\,465\,000 \checkmark + 268\,000 \checkmark)}{630\,000 \checkmark} \times 100$$

$$= 593 \text{ cents } \checkmark \checkmark \text{ (one part correct) accept R5,93}$$

5

3.2.3 (a) **As an existing shareholder, what factors/indicators would you assess in determining whether R7,20 per share is an acceptable issue price? Explain.**

NAV: 593 cents in 2015 ✓✓

Market price of shares will also give an indication of investor confidence. ✓✓

4

(b) **V. Slink owns 52% of the issued share capital. Calculate the minimum number of shares she must purchase in order to retain her position as the major shareholder.**

(check 3.2 (b))

52% of 630 000 = 327 600 shares. ✓

50% of 700 000 = 350 000 shares. ✓

She needs (350 000 – 327 600) = 22 401 shares ✓✓

Or 51% of 700 000 : 357 000 – 327 600 = 29 400 shares

4

(c) **V. Slink has suggested that, as a major shareholder, she should be given the first option to purchase the additional shares before they are advertised to the public. What should the directors do?**

Good explanation ✓✓✓ satisfactory ✓✓ weak ✓ wrong "0"

Must mention that this is unethical. Not allowed by law. Insider trading.
The directors must apply the law to safeguard the integrity of the business.

3

3.2.4 **Do buying back shares have any benefit for the company? Explain. Provide TWO points.**

Any TWO separate and valid explanations ✓✓ ✓✓

It improves the NAV of shares which could impact positively on the market price of shares.

If profits remain constant, then a higher EPS would be recorded which means better dividends for existing shareholders.

Depending on the price offered to buy back the shares, the remaining shareholders may be disadvantaged if a very generous price is offered.

The solvency and liquidity tests will be essential before shares are bought back.

This will also have to be assessed.

4

Q3: TOTAL MARKS	70	
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QUESTION 4: CASH FLOW AND INTERPRETATION

4.1

4.1.1 Dividends paid:

300 000 x 56 cents = 168 000 (total dividends)

(42 000 ✓ + 168 000 ✓✓ – 66 000 ✓) = 144 000 ☑ (one part correct)
Accept different presentations of information such as T accounts, signs reversed etc.

5

4.1.2 Income tax paid:

- 8 800 ✓ + 75 600 ✓ – 12 500 ✓ = 54 300 ☑ (one part correct)

Accept different presentations of information such as T accounts, signs reversed etc.

4

4.1.3 Fixed assets purchased:

(1 505 400 ✓ – 1 201 500 ✓ + 64 000 ✓ + 23 500 ✓)

= 391 400 ☑ (one part correct)

Accept different presentations of information such as T accounts, signs reversed etc.

5

4.1.4 Total investing activities:

See 4.1.3

(391 400)☑ + 23 500 ✓ + (40 000) ✓ = (407 900) ☑ (one part correct)

4

4.1.5 Net change in cash and cash equivalents:

(17 500 – 2 000) + 23 900 ✓ = 39 400 ☑ (one part correct)
(15 500) ✓✓

4

4.2

4.2.1 Stock holding period

$$\frac{148\,100\ \checkmark\checkmark}{\frac{1}{2}(120\,200 + 176\,000)} \times 365$$

$$\frac{148\,100\ \checkmark\checkmark}{1\,452\,000\ \checkmark} \times 365$$

= 37,2 days ☑ (one part correct)

4

4.2.2 Debtors average collection period

$$\frac{\checkmark\ 67\,850\ \checkmark\checkmark}{\frac{1}{2}(65\,500 + 70\,200)} \times 365 = 31,2\ \text{days}\ \checkmark\ \text{(one part correct)}$$

$$\frac{\checkmark\ 67\,850\ \checkmark\checkmark}{\frac{1}{2}(1\,984\,000 \times 40\%)}}{793\,600\ \checkmark\checkmark} \times 365$$

6

4.2.3 Debt/equity ratio

740 000 ✓ : 1 006 800 ✓ 0,74 : 1 ☑ (one part correct)

3

4.3 **Comment on the management of stock (trading inventory). Quote TWO relevant financial indicators (with figures) in your answer.**

Any TWO valid financial Indicators (with figures) ✓✓ ✓✓ Valid comment ✓✓

Stock turnover rate: was 11 times – dropped to 9,8 times.
Stock holding period was 33 days – increased to 37,2 days. (refer 4.2.1)
The current ratio also increased from 1,27 : 1 to 1,43 : 1

Stock is being held for a longer period / stock is being bought/sold less often than previously.
There is some degree of stock piling or could be reduced sales.
It could be argued that the business took advantage of bulk discounts or that the goods may have a reasonable shelf life period.

6

4.4 **Is the management of debtors and creditors effective? Explain. Quote relevant financial indicators and/or figures in your answer.**

Quoting financial indicators with figures : ✓✓ ✓✓ explanation for each indicator ✓ ✓

Debtors average collection period: was 38 days now 31,2 days.
Creditors' average payment period: was 62 days now 65 days.

A good improvement on the collection policy of the business (close to the desired 30 days).
Depending on credit terms granted, it is wise to take the maximum permissible time to pay back creditors (taking advantage of "short term financing"). As long as the business does not incur any interest charges. It is also important to pay accounts on time to maintain credit-worthiness.

6

4.5 **4.5.1 Comment on the earnings per share (EPS), the dividends per share (DPS) and the return on shareholders' equity (ROSHE) for both companies.**

Quoting figures (for both companies) ✓ ✓ ✓ valid comments ✓ ✓ ✓
Comments may be a general overall comment showing the relationship between the different financial indicators.

Pixie LTD: EPS decreased from 72 cents to 63 cents. ROSHE decreased from 24% to 19,7% but DPS increased from 52 cents to 56 cents.

The business did not do so well this financial year. (7% decrease in EPS). Although the ROSHE decreased, it is still above the rate of alternative investments. The trend however may be discouraging. Shareholders were kept satisfied by getting a higher DPS. This simply means that the business did not retain as much of the profits as was done last year.

Comparatively – Vivi Traders: EPS is 92 cents (63 cents) and DPS is 46 cents (56 cents) performed better but are retaining a larger % of the profits. Their ROSHE is only 9,6% (19,7%). Shareholders at Pixie LTD are receiving a better return on their investment.

6

4.5.2 Comment on the financial gearing of both companies. Explain which company is making more use of loans and state whether it is a good idea or not, for that company to do so.

Quoting relevant financial indicators (with figures) ✓ ✓ Valid comment ✓✓

Debt/Equity ratio – Pixie Ltd (0,7 : 1), Vivi Traders Ltd (0,52 : 1)
 Pixie Ltd is making greater use of loans than Vivi Traders Ltd.

ROTCE – Pixie Ltd 21,2%, Vivi Traders Ltd 10,8%
 Pixie Ltd is making good use of the loan by obtaining a return that is greater than the current interest rate (positive gearing). So it is a good idea to continue using the loan.
 Vivi Traders is only achieving a return of 10,8% on capital employed. Clearly not making effective use of the loan. It would be in their interest to start repaying that debt.

Note: Refer to answer in QUESTION 4.2.3 – learners responses may be based on their incorrect calculations.

4

4.5.3 Refer to the market value of the shares and the net asset value per share. What advice would you offer John Cann about investing in either company?

Quoting the relevant figures ✓✓ valid comment with advice. ✓

Although Vivi Traders Ltd has a better NAV than Pixie Ltd (342 cents to 336 cents), its share price is much lower than that of Pixie Ltd. It is also lower than its NAV. This is an indication that the company’s shares are not popular with investors. Their shareholders also received a smaller dividend per share which could contribute to investor confidence.

I would advise John Cann to invest in Pixie Ltd as the above figures as well as other financial indicators show that the company is making steady progress.

3

Q4: TOTAL MARKS	60	
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QUESTION 5: VAT AND RECONCILIATIONS

VAT

5.1

5.1.1	Value added tax	✓
5.1.2	(a) False	✓
	(b) False	✓
5.1.3	Input VAT	✓

4

5.2

5.2. **Calculate the total credit sales for the period (excluding VAT).**
1

$12\,320 \times \frac{100}{114} = 88\,000$ ✓✓ (one part correct)

2

5.2. **Taking into account the errors and omissions, calculate the amount that is either payable to or receivable to SARS for VAT.**
2

$17\,430$ ✓✓ + $12\,320$ ✓ - $1\,260$ ✓ - 672 ✓ - 63 ✓ (27 755)

$13\,356$ ✓ - 91 ✓ + 119 ✓ (13 384)

= $14\,371$ + $9\,889$ ✓ = $24\,260$ due to SARS ✓

Accept different presentations of information such as T accounts, signs reversed etc.

11

5.2. **The internal auditor, through a random check, discovered that the owner, Joe, does not pay the full amount due to SARS on due dates. On enquiry, Joe stated that he spends the money on the business. What advice would you offer Joe concerning this practice?**
3

Good explanation ✓✓✓ satisfactory ✓✓ weak ✓ wrong "0"

- The business is an agent of SARS (VAT is collected on behalf of SARS).
- Therefore it does not belong to the business and should not be viewed as cash reserves for the business.
- Unethical business practice.
- SARS obligations must be kept separate and dealt with immediately.
- Could incur penalties if discovered by a SARS audit.

3

5.3 CREDITORS RECONCILIATION:

NO.	CREDITORS LEDGER ACCOUNT	STATEMENT
BALANCE	5 350	12 540
i	540 ✓✓	
ii (4 200 x 2)	8 400 ✓✓	
iii		4 000 ✓
iv	(250) ✓	
v		(2 500) ✓
TOTAL	14 040 ☑	14 040 ☑

9

5.4 DEBTORS RECONCILIATION

5.4.1 Give TWO steps that the bookkeeper must follow when he/she discovers a difference between the Debtors Control Account and the Debtors List.

Any TWO valid steps ✓ ✓

Reconciling debtors' list with debtors' control account.

Identify if the error affects the control account or the DL or both.

Identify if ONE, TWO or MORE accounts are affected.

Make GJ entries to correct posting errors (wrong debtors / amounts over or under cast / wrong general ledger accounts)

For single entry errors (amounts) make the necessary corrections and adjust the balances.

2

5.4.2 Calculate the correct balance of the Debtors Control Account and the Debtors List by completing the table provided.

DEBTORS CONTROL ACCOUNT: Insert amounts only on the appropriate side

	DEBIT	CREDIT
i		120 ✓
ii	90 ✓✓	
iii	75 ✓	
iv	530 ✓	
v		

If amount are placed in both columns -1 mark for the incorrect one provided a mark was scored on that line.

5

DEBTORS LIST: Show the adjustment amount next to each debtor. Final balance is not necessary.

M. Mouse	4 510 + 90 ✓ – 1 320 ✓ – 50 ✓
D. Duck	3 270 + 75 ✓
K. Chicken	940 + 530 ✓
F. Fox	2 260 + 1 320 ✓

Amounts must have the correct signs (+/-) to score the mark.

6

5.4.3

(a) Explain why you would be concerned about the management of debtors in this business. Quote relevant figures in your answer.

Any TWO valid comments with figures. ✓✓ ✓✓

11590/23 180 = 50% of debtors are more than 60 days overdue.
 Only 20% of debtors are current (within the 30 days credit terms).
 10% of debtors are likely to be written off as irrecoverable.
 Debtors are not taking advantage of the 5% discount for early payments.
 Collection policy needs to be more vigilant.

4

(b) Provide TWO internal control measures that the business can use to improve the collection of money from debtors.

Any TWO valid explanations. ✓✓ ✓✓

- Division of duties – explained.
- Shared responsibilities in preparing documents (statements, receipts, invoices) and depositing of money.
- If the organisation is big, could assign a set number of debtors per employee. Could result in personalised service and constant monitoring.
- A separate screening department (follow-up and approval of credit).
- Computerised messages to inform debtors not up to date with payments.

For 1 mark each:

- Send SMS and reminders.
- Charge interest on late payments (overdue accounts)
- Give discounts for early payments.

4

Q5: TOTAL MARKS	50	
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QUESTION 6: STOCK VALUATION AND PROBLEM SOLVING

6.1 Calculate the value of the closing stock using the first-in-first-out (FIFO) method of stock valuation.

$$\begin{array}{rcl}
 12 \checkmark & 94\,880 \checkmark - 22\,600 \checkmark\checkmark & = 72\,280 \checkmark \\
 & \quad \quad \quad (4 \times 5\,650) & \\
 5 \checkmark & \times 5\,520 + 260 & = 28\,900 \checkmark \\
 (17-12) & \quad \quad \quad 5\,780 \checkmark\checkmark & \\
 \hline
 & & 101\,180 \checkmark
 \end{array}$$

One part correct for all method marks

10

6.2 Calculate the cost of sales of the laptops sold.

$$51\,000 \checkmark + 329\,360 \checkmark - (3 \times 4\,740) \checkmark - (4 \times 5\,650) \checkmark - 101\,180 \checkmark = 242\,360 \checkmark$$

(6.1) (one part correct)

or

$$51\,000 + 53\,760 + (99\,800 - 14\,220) + (9 \times 5\,780) = 242\,360$$

85\,580 52\,020

6

6.3 • How would a change in policy impact on the financial reporting of the business? Give ONE point.

Any reasonable answer ✓✓

- May result in a different closing stock figure for the balance sheet.
- Will result in a different gross profit figure for the income statement.
- May impact on the amount of income tax payable/ may influence the EPS.

2

6.4 Taking into account the technology market, what advice can you offer Max regarding his marketing strategy and his pricing policy? Provide TWO points.

TWO valid points ✓✓

- Need to be aware of rapid changes in technology (goods may become obsolete).
- May need constant upgrading of software.
- Need to keep the different ranges (price levels) to cater for the different needs of individuals.
- Broaden the target market.
- Stock and supply software and other computer accessories (complementary goods).
- Provide an after-sales service such as repairs/maintenance.

4

6.5 PROBLEM SOLVING

6.5.1

Identify a different problem (with relevant figures) in each of the branches.

BRANCH	PROBLEM ✓ ✓ ✓ (WITH FIGURES ✓ ✓ ✓)
MENLYN	24 cash sets = R100 800 Only R79 800 deposited (shortfall of R21 000) High credit sales (54 600 is 31% of total sales)
MOORTON	Too high returns (12 sets) Only worked 73% of the normal and choose to cash in on the overtime (52 hours) Less than 50% of sets sold (after returns)
VINCENT	Very low sales volume (21/50) sets Low normal hours worked (102/160 hrs) and also do not like overtime (maybe due to age)

6

6.5.2

Identify ONE branch that Siddie should consider closing down. Provide a valid reason for your choice.

Branch ✓ Appropriate reason ✓ ✓ (Award mark for Branch name only if reason is relevant)

Moorton: High rent / average sales (turnover) / young, poor disciplined salesperson with too many returns.

Vincent John is near retirement / working few hours / no effort to increase sales

3

6.5.3

Give Siddie with ONE suggestion to address the problem identified in 6.5.1 for each of the other branches.

Any reasonable internal control measure for each branch ✓ ✓ ✓ ✓

BRANCH	INTERNAL CONTROL MEASURE
Menlyn	Sally is energetic but need to be audited regularly (checking sales and deposits). Possibly change to another branch or division of duties.
Moorton or Vincent	Time sheet for normal time / set targets / minimise overtime hours / calculate commission on net sales Provide John with an assistant / set sales targets / make a set number of hours for overtime.

4

Q6: TOTAL MARKS	35	
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TOTAL: 300