

**PHOENIX CIRCUIT ACCOUNTING SOCIETY  
(PCAS)  
HELPING ACCOUNTING EDUCATORS EXCEL**

**GRADE 11**

**ACCOUNTING PAPER 2**

**NOVEMBER 2019**

**MARKING GUIDELINES**

**MARKS: 150**

**MARKING PRINCIPLES:**

- 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.
- Penalties for placement or poor presentation (e.g. details) are applied only if the candidate is earning marks on the figures for that item.
- Full marks for correct answer. If answer is incorrect, mark the workings provided.
- 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 the final answer as well.
- 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.
- Where indicated, part-marks may be awarded to differentiate between differing qualities of answers from candidates.
- Where penalties are applied, the marks for that section of the question cannot be a final negative.
- Where method marks are awarded for operation, the marker must inspect the reasonableness of the answer and at least one part must be correct before awarding the mark.
- Operation means check operation. One part correct means operation and one part correct. Note: check operation must be +, x, ÷, or per memo.
- In calculations, do not award marks for workings if numerator and denominator are swapped – this also applies to ratios.
- When awarding method marks, ensure that candidates do not get full marks for any item that is incorrect at least in part. Indicate with a.
- Be aware of candidates who provide valid alternatives beyond the marking guideline.
- Codes: f = foreign item, p = placement/presentation.

**These marking guidelines consist of 12 pages.**

**QUESTION 1: RECONCILIATIONS AND VAT**

**1.1. BANK RECONCILIATION**

1.1.1.

**Refer to Additional Information A:  
How should cheque no. 1006 be treated? Explain your answer.**

Cheque is stale. ✓  
Cancel in the CRJ ✓✓

3
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1.1.2.

**Provide a reason why cheque no. 1105 appears on the Bank Reconciliation Statement.**

Cheque is post dated. ✓

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1.1.3.

**Identify whether the balance as per bank statement is favourable or unfavourable.**

Unfavourable ✓

1
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1.1.4.

**Bank Reconciliation Statement on 31 October 2019**

	Debit	Credit
Dr Balance as per bank statement	16 500 ✓	
Cr Outstanding deposit		20 100 ✓
Dr Outstanding cheques:		
No. 1098	9 900 ✓	
No. 1105	4 700 ✓	
Cr Error on bank statement		1 300 ✓
Cr Balance as per bank account	31 100	31 100 ✓*

\* Any ONE part correct. Totals do not have to agree

7
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1.1.5.

It is evident that cash is not being controlled well in the business. Identify TWO problems and give advice on how these problems can be avoided in the future. Provide figures to support your answer.

	Problem identified with figures	Advice
1	R 20 100 should have been deposited on 21 October 2019 but still has not been deposited. Possible rolling of cash.	Cash to be deposited intact and on a daily basis. ✓
2	R19 000 of cash was apparently stolen.	Encourage EFT's Division of duties Two people should go to the bank when depositing Request notification of deposits from bank(sms)

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1.3. VAT

1.3.1

Calculate the amount of VAT either Receivable from or Payable to SARS on 31 August 2019.

Indicate whether this amount is Receivable or Payable.

34 800 ✓ + 288 750 ✓ + 800 ✓ - 345 600 ✓ - 1 400 ✓ = - 22 650 ✓  
 or  
 one part correct

345 600 ✓ + 1 400 ✓ - 34 800 ✓ - 288 750 ✓ - 800 ✓ = 22 650 ✓

Receivable / Payable: Payable ✓

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1.3.2.

The owner has told the accountant to change the bad debts from R800 to R8 000.

Give ONE reason why you disagree with him.

Possible responses for two marks: ✓ ✓

-It is unethical to forward incorrect information to SARS in order to reduce the amount payable/increase amount receivable.

- It is illegal /fraudulent to provide falsified information to SARS as this will lead to fines or a jail sentence to the offender.

Possible responses for one mark: ✓

Unethical / Illegal / Fraud

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1.2. CREDITORS' RECONCILIATION

	Account of Galaxy Suppliers in Creditors' Ledger of Mars Traders	Statement received from Galaxy Suppliers
Balance	11 605	20 120
A		- 165 ✓
B	(2 150 + 2 150) + 4 300 ✓ ✓	
C	- 900 ✓ ✓	
D		- 1 950 ✓
E		- 3 000 ✓
Final Balance	15 005	15 005 ✓*

\* Any ONE part correct. Totals do not have to agree  
 -1 for foreign entries (maximum -2)  
 Sign and amount must be correct to award marks; if no sign, assume positive /Accept brackets as a negative figure

TOTAL MARKS	
	35

**QUESTION 2: MANUFACTURING**

**2.1 CONCEPTS**

Write only True or False next to the question number.

2.1.1	False ✓
2.1.2	False ✓
2.1.3	True ✓

3

**2.2. ASH'S CRYSTAL CREATIONS**

**2.2.1**

Calculate the Direct Labour Cost

Basic salary (14 x 7000) ✓ x 12 ✓ <small>96 000</small>	one part correct	1 176 000 ✓
Overtime (14 x 144) ✓ x 65 ✓		131 040 ✓
UIF Contribution (1 176 000 x 1%) ✓ <small>(1% of basic)</small>		11 760 ✓
	one part correct	1 318 800 ✓

9

Calculate the Factory Overhead cost.

Indirect materials (13 200 ✓ + 38 400 ✓ - 15 100 ✓)	one part correct	36 500 ✓
Salaries: foreman		156 000 ✓
Electricity and water (104 000 x 90%)		93 600 ✓✓
Rent expense (115 200 x 600/1500)		46 080 ✓✓
Insurance (74 200 x 3/7)		31 800 ✓✓
Depreciation: factory plant and machinery <small>operation</small>		277 220 ✓
		641 200 ✓

13

**2.2.2**

**Work in Progress Stock account**

2018	2018	2018	2018	2018	2018
Jan 1	Balance	b/d	160 000	Dec 31	Finished Goods Stock
Dec 31	Direct Material Cost	GJ	2 100 000 ✓		Balance
	Direct Material Cost	GJ	1 318 800 ✓		
	Factory Overhead Cost	GJ	641 200 ✓		
2019	Jan 1	Balance	b/d	360 000 ✓	
				4 220 000	
					4 220 000

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**Finished Goods Stock account**

2018	2018	2018	2018	2018	2018
Jan 1	Balance	b/d	110 000	Dec 31	Cost of Sales
Dec 31	Work in Progress	GJ	3 860 000 ✓		Balance
	Stock				
2019	Jan 1	Balance	b/d	95 000 ✓	
				3 970 000	
					3 970 000

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## 2.3 MAGOGO'S MAGWINYAS

2.3.1

Calculate the break-even point for the year ended 31 October 2019.

$$\frac{736\,000}{28} - 16$$

12

= 61 333.3 or 61 334 units  operation one part correct

4

2.3.2

Should the business be satisfied with the number of units that they produced and sold during the current financial year. Explain, quoting figures.

Yes/ No

Reason with figures ✓✓

Reasons for Yes

The business sold (64 000- 61 334) 2 666 units more than the break even point.

Reasons for No

The business sold (78 000- 60 000) 18 000 more than the break- even point in the previous financial year.

Production decreased from 78 000 to 64 000

3

2.3.3

Mama Gogo is concerned about the high cost of producing the magwinyas. She suggested buying used oil at a cheap price from the takeaway down the road which she will use to fry her magwinyas. But she instructed her employees to keep the selling price unchanged. Give TWO points of advice to Mama Gogo why she should not do this.

Any two valid reasons ✓✓

- It is not ethical and would lead to a decrease in the customers once this information becomes public knowledge.
- Could lead to health issues amongst customers.
- Could lead to legal action being taken against Mama Gogo if customers fall ill.

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## QUESTION 3: CASH BUDGET

3.1.

Identify TWO items incorrectly entered in the Cash Budget.

Trading stock deficit ✓  
Depreciation ✓

2

3.2

## CREDITORS' PAYMENT SCHEDULE

MONTH	CREDIT PURCHASES	OCTOBER	NOVEMBER
August	R40 000	6 000	
September	R44 000	11 000	✓✓6 600
October	✓✓R48 000	27 360	✓12 000
November	R56 000		✓✓31 920
		44 360	✓150 520

10

TOTAL  
MARKS

45

3.3

	CALCULATION	AMOUNT
	Cash sales	
(A)	$210\,000 \times 60\%$	126 000 ✓
	Cash purchases of stock	
(B)	$180\,000 \checkmark \times 100/150 \checkmark \times 60\% \checkmark$	72 000 ✓ one part correct
	Salaries : sales assistants	
(C)	$30\,000 \checkmark \times 4/5 \checkmark \times 104\% \checkmark$	24 960 ✓ one part correct
	Insurance	
(D)	$3\,300 \checkmark \times 100/110 \checkmark$	3 000 ✓ one part correct
	Delivery vehicle: deposit	
(E)	$198\,000 \checkmark$ $(5\,500 \times 36) \times 10/90 \checkmark$	22 000 ✓ one part correct
	Cash deficit for the month	
(F)	$-11\,200 \checkmark - 42\,300 \checkmark$	(53 500) ✓
	Cash at the end of the month	
(G)		42 300 ✓

2

4

4

3

3

3

1

20

3.4

<p>The sales assistants are unhappy with the increase they received. Provide ONE possible reason to justify their dissatisfaction.</p> <p>Any relevant answer ✓✓</p> <p>The manager received an increase of 25%</p> <p>Their increase of 4% is below the inflation rate of 4.5% - 5%</p>
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2

3.5  
Comment on the control of each item and give one point of advice in each case.

	COMMENT Comment and figure ✓✓	ADVICE Any relevant advice ✓
Stationery	Over-spent/Under-budgeted by R1 500	Control/check for misuse. Adjust budget if the amount is unrealistic.
Staff training	Under-spent/ Over-budgeted by R2 100	This is an essential expense / staff training improves the interaction with customers / this leads to efficiency and goodwill. Spend the money allocated in order to improve productivity.

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TOTAL MARKS	
	40

#### QUESTION 4: CONTROL OF WORKING CAPITAL AND PERIODIC INVENTORY SYSTEM

4.1

**Comment on the cash in the current bank account.**

The bank account moved from a favourable balance of R140 00 to an overdraft of R28 000. ✓✓

**What advice would you give to J.Lo? Provide ONE point. Quote figures.**

When the fixed deposit matures, use it to pay off the overdraft as interest on overdraft is 16% and interest on fixed deposit is 10%. ✓✓

4

4.2.1

**Calculate the stock turnover rate for 2019. Use average stock in your calculation.**

376 000 ✓

$$\frac{1}{2} \sqrt{(138\,496 + 112\,170)} \checkmark$$

= 3 times

4

4.2.2

**Comment on the stock turnover rate and the stockholding period for 2019. Quote figures or indicators. Explain why she should be concerned about this.**

Stock turnover rate increased from 2,4 times to 3 times. ✓  
Stockholding period decreased from 150 days to 120 days. ✓

Although both these indicators reflect that an improvement, stock is moving to slowly as fashions normally change every 3 months. ✓✓

**What advice would you give to J.Lo? Provide ONE point**  
Purchase stock in smaller quantities in the future. ✓  
Offer discounts or specials  
Diversify by selling unisex clothing.

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4.3.1

**J. Lo used one deliberate measure to improve cash sales in 2019. Identify the strategy and quote the relevant figures.**

She decided to grant 10% discount for cash sales. ✓✓

This increased the cash sales from R120 000 to R222 800. ✓✓

4

4.4

**Comment on whether or not J.Lo has been controlling her debtors and creditors appropriately. Quote figures.**

She has controlled her debtors better than 2018 as the debtors collection period has decreased from 40 days to 30 days. ✓  
Creditors payment period has remained the same. ✓

**How would this affect the business?**

Improved liquidity position and cash flow for the business as she is collecting the money from debtors in 30 days and paying creditors in 60 days. ✓✓

4

4.5

**Calculate the cost of sales for the year ended 28 February 2019.**

Opening Stock	✓114 000
Purchases (200 000✓ - 4 000✓ - 1 000✓)	195 000
Carriage on purchases	✓13 000
Cost of goods available for sale	322 000
Closing Stock	✓(80 000)
Cost of Sales	✓242 000

TOTAL MARKS

30