



basic education

Department:
Basic Education
REPUBLIC OF SOUTH AFRICA

NATIONAL SENIOR CERTIFICATE

GRADE 11

ACCOUNTING P2 EXEMPLAR NOVEMBER 2019 MARKING GUIDELINES

MARKS: 150

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 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). Note: If figures are stipulated in memo for components of workings, these do not carry the method mark for the 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. 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 and at least one part must be correct 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. 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 ☒.
12. Be aware of candidates who provide valid alternatives beyond the marking guideline.
13. Codes: f = foreign item; p = placement/presentation.

These marking guidelines consist of 10 pages.

QUESTION 1: VAT AND RECONCILIATION**(40 marks; 30 minutes)****1.1 VAT****1.1.1 Explain what is meant by *value-added tax*.**

Tax on sales of goods (levied on the purchaser by the seller) ✓✓

2

1.1.2 Calculate the following:**(a) Sales amount (excluding VAT) from the CRJ** $141\,300 \checkmark \times 100/115 \checkmark = R942\,000 \checkmark$ **(b) VAT input amount from the CPJ** $(248\,000 + 580\,000) \times 0,15 = R124\,200 \checkmark \checkmark$ one part correct**(c) VAT output amount from DJ** $345\,000 \checkmark \times 15/115 \checkmark = R45\,000 \checkmark$ one part correct

8

1.1.3 Tom does not have enough money in his bank account to pay SARS for VAT. The bank balance is currently in overdraft at approximately R50 000. What advice would you offer Tom in order to:

- **Solve the problem now**

Borrow funds, introduce capital (any valid solution) ✓✓

- **Solve the problem in the future**

Better budgeting – VAT charged on customers must be earmarked for repayment, not spent on assets.

Ensure selling prices are realistic to generate funds to operate the business properly. ✓✓

4

1.2 CREDITORS' RECONCILIATION AND INTERNAL CONTROL

1.2.1 Explain how the Creditors' Reconciliation Statement can assist the business in terms of their internal control measures. State ONE point.

ONE valid point ✓✓

- It will assist the business in detecting errors/omissions in their books.
- A reliable external document is available (i.e. statement) to verify the records of the business.
- It will show errors/omissions in the statement received.
- Detect fraudulent activities and take action/It will show the correct balance to be paid to creditors.

2

1.2.2 Calculate the correct balance of Pine Suppliers in the Creditors' Ledger Account of Madi Traders. Show the changes to the figure R117 180.

$$117\ 180 \checkmark - 480 \checkmark \checkmark - 27\ 300 \checkmark \checkmark - 810 \checkmark \checkmark - 10\ 800 \checkmark \checkmark$$

5 400 + 5 400

$$= R77\ 790 \checkmark$$

10

1.2.3 Creditors' Reconciliation Statement on 30 April 2019

Balance per statement of account	121 800	✓
Credit amount to correct invoice overstated	(30 000)	✓☑
Debit amount wrongly credited	84 000	✓✓
Transfer of balance	(3 600)	✓✓
Credit payment after statement date	(93 000)	✓
Credit discount after statement date	(1 410)	✓
Correct balance	77 790	☑

10

1.2.4 The owner of Madi Traders is not completely satisfied with the service and quality of goods received from Pine Suppliers. State TWO factors that he should consider before changing suppliers.

TWO valid factors ✓✓ ✓✓

- The credit terms offered
- Will they offer discount for early payments
- Will alternative supplier be able to meet the demands of the business
- The quality of the products they are able to deliver

4

TOTAL MARKS
40

QUESTION 2: MANUFACTURING**(45 marks; 40 minutes)**

2.1 Give ONE term for each of the descriptions by choosing a cost category from the list.

2.1.1	Factory overhead cost	✓
2.1.2	Selling and distribution cost	✓
2.1.3	Administration cost	✓
2.1.4	Direct labour cost	✓

4

**2.2.1 GENERAL LEDGER OF GALANE MANUFACTURERS
WORK-IN-PROGRESS STOCK**

2018 Mar.	1	Balance b/d	33 150 ✓	2019 Feb.	28	Finished goods stock	1 206 350 ✓
2019 Feb.	28	Direct material cost 516 000 ✓ + 16 000 ✓ – 20 000 ✓	512 000 ✓			Balance c/d	38 300 ✓
		Direct labour cost	519 650 ✓				
		Factory overheads	179 850 ✓				
			1 244 650				1 244 650
2019 Mar.		Balance b/d	38 300 ✓				

10

2.2.2 FINISHED GOODS STOCK

2018 Mar.	1	Balance b/d	15 250	2019 Feb.	28	Cost of sales (1 800 000 ✓ + 100 000 ✓) ÷ 1,6 ✓	1 187 500 ✓
2019 Feb.	28	Work-in- progress	1 206 350 ✓			Balance c/d	34 100 ✓
			1 221 600				1 221 600
2019 Mar.	1	Balance b/d	34 100 ✓				

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2.2.3

FACTORY OVERHEADS

2019 Feb.	28	Indirect labour (24 350 + 65 060)	89 410 ✓✓	2019 Feb.	28	Work-in-progress	179 850 ☑
		Indirect material cost 3 480✓+21 560✓ – 2 630✓	22 410 ☑				
		Rent expense 39 200 x 65/100	25 480 ✓☑				
		Insurance 8 700 x 2/3	5 800 ✓☑				
		Water and electricity 16 500✓ x 4/6✓	11 000 ☑				
		Sundry factory expenses	25 750 ✓				
			<u>179 850</u>				<u>179 850</u>

-1 foreign entry Bad debts

15

2.3 **MOTHO SHOE FACTORY**

2.3.1 Calculate the direct material cost per unit.

$$\frac{2070\ 000}{13\ 800} = R150\checkmark\checkmark$$

2

2.3.2 Calculate the break-even point on 31 May 2019.

$$\frac{1\ 514\ 000\checkmark}{259\checkmark - 155\checkmark} = 14\ 558\ \text{units}\ \checkmark$$

4

2.3.3 Explain why the owner would NOT be happy with the business' current production level. Quote figures or indicators.

Explanation ✓✓ Figure ✓

The business produced 758 units less than the BEP (14 558 – 13 800).
The business made a loss on 758 units.
The business produced 758 units less than the break-even point.

3

TOTAL MARKS
45

QUESTION 3: BUDGETS

(40 marks; 30 minutes)

3.1.1

What is the main purpose of preparing the Cash Budget?

Project future cash flow (inflow and outflow)
 Project the cash flow/determine the receipts and payments in the future
 Control the cash/Calculate the bank balance

2

3.1.2

Name TWO items that will appear in the Cash Budget, but NOT in the Projected Income Statement.

Any TWO items ✓ ✓ Accept valid alternatives

Purchase of assets, Loan, Fixed deposit, Payment to creditors, Collection from debtors

2

3.1.3

Name TWO items that will appear in a Projected Income Statement, but NOT in the Cash Budget.

Any TWO items ✓ ✓ Accept valid alternatives

Depreciation/Discount allowed/received/Bad debts/Provision for bad debts adjustment

2

3.2

Debtors' Collection Schedule of Cosmo Traders for the period ending 31 December 2019:

Month	Credit Sales (R)	Debtors' Collection		
		October (R)	November (R)	December (R)
August	240 000	60 000		
September	360 000	144 000	90 000✓	
October	300 000	85 500	120 000✓	75 000✓
November	330 000		94 050✓✓	132 000✓
December	330 000			94 050✓ <small>See November</small>
		289 500	304 050✓	301 050✓

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3.3

Calculate the missing figures indicated by A–G in the Cash Budget. Refer to information (a) to (f).

	CALCULATIONS	ANSWERS
A	$440\,000 \times 25\%$ or $330\,000 \frac{25}{75}$	110 000 ✓✓
B	See 3.2	304 050 ✓
C	$185\,600 \times 30\%$	55 680 ✓✓
D	$206\,500 \times 70\%$	144 550 ✓✓
E	$(180\,000 - 18\,000) \times 0,12 \checkmark \div 12 \checkmark$	1 620 ✓ One part correct
F	$(1\,250 + 10\%) \times 7 \checkmark \times 5 \checkmark$	38 500 ✓
G	$6\,731 \times \frac{100}{106} \checkmark$	6 350 ✓

15

3.4

Explain TWO factors that Kagiso should consider before increasing credit limits.

Any TWO valid factors ✓✓ ✓✓

- Screen debtors properly/Background check.
- Consider the increase in the risk of bad debts.
- Verify the collection from each debtor before increasing the limit.
- Increase credits only for customers who settle their debts promptly.

2

3.5

Provide calculations for the next three years to support your opinion.

Option 1:	one part correct
Purchase a motorbike	$25\ 000 + (3\ 100 \times 36) = R136\ 600$ ✓☑
Option 2:	48 000 50 400 52 920
Use DD Deliveries	$(R4\ 000 \times 12) + (R4\ 200 \times 12) + (R4\ 410 \times 12) = R151\ 320$ ✓☑ one part correct

Explain TWO other factors that Kagiso should consider before making a final decision.

Any TWO valid factors, e.g. ✓ ✓

Driver of the bike/Insurance/Reliability of service provider/Whether customers could pay for deliveries, etc.

Should the owner, Kagiso, choose Option 1 or Option 2? Give reasons.

Option ____ **either 1 or 2 with reasons** ✓✓

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TOTAL MARKS
40

QUESTION 4: CONTROL OF WORKING CAPITAL**(25 marks; 20 minutes)****4.1 Comment on the cash in the current bank account.**

The net increase in the cash balance was R285 000/from R120 000 to R405 000. ✓✓

Fixed deposit decreased (matured); an inflow of R220 000. This could explain the increase in the bank balance (if money not used).

What advice would you give to Mary? Provide ONE point. Quote figures.

Mary should have re-invested the money/extended the investment period of the fixed deposit. It will earn a higher interest (11% p.a.) than the interest on the current account.

Unless she is keeping this for a specific urgent purpose, she should invest most of this in the fixed deposit so that she can earn a return (of 11%). ✓✓

4

4.2.1 Calculate the stockholding period for 2019. Use average stock in your calculation.

$$\frac{\frac{1}{2}(170\,000 + 85\,000)}{460\,000} \times 365 \text{ or } 12$$

$$= \frac{127\,500}{460\,000} \checkmark \quad \times 365 \text{ or } 12 \checkmark$$

$$= 101 \text{ days or } 3,3 \text{ months } \checkmark$$

OR using the STR: $365/3,6 = 101 \text{ days}$ or $12/3,6 = 3,3 \text{ months}$

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 decreased from 5,6 to 3,6 times. ✓

Stockholding period increased from 66 days (2 months) to 101 days (3 months). ✓

Both these indicators reflect that Mary is probably keeping too much stock on hand. ✓

She could be earning interest on the excess amount invested in stock/This asset does not earn a return. ✓

What advice would you give to Mary? Provide ONE point.

Purchase stock in smaller quantities in future. ✓

5

4.3.1 Mary used two deliberate strategies to improve sales in 2019. Identify the TWO strategies. Quote the relevant figures.

	Explanation (with figures)
Strategy 1	She decreased the mark-up % from 60% to 45%. ✓✓
Strategy 2	She allowed more people to buy on credit; 2018 cash sales were more than 50% of total sales, while in 2019, credit sales were a lot more than 50% of sales. ✓✓

4

4.3.2 Bear in mind that the cost price of stock increased by the inflation rate of 6% and provide evidence that these strategies benefited the business. Quote figures.

If the same stock was sold in 2019, cost of sales based on past volumes would be R339 200. ✓✓

Cost of sales in 2019 is R460 000 (which is 36% more), which means the volume of goods sold is 36% more (which will increase profit). ✓✓

OR

Cost of sales in 2019 is R460 000, which is 44% higher than last year; inflation of 6% is part of this change; the rest is increase in volume of goods sold.

NOTE: Learners could use similar reasoning with Sales or Gross profit.

4

4.4 Comment on whether or not Mary has been controlling her debtors and creditors appropriately. Quote figures.

She has not been controlling debtors well, as the collection period increased from 26 days to 40 days. ✓

She is also taking longer to settle the amounts owed to creditors – this period increased from 30 days to 38 days. ✓

Comment on how this would affect the business.

Slow-paying debtors will affect the cash flow, and the business will battle to settle its debts (as evidenced by the longer period to pay creditors). ✓✓

4

TOTAL MARKS
25

TOTAL: 150