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Department:
Basic Education
REPUBLIC OF SOUTH AFRICA

NATIONAL SENIOR CERTIFICATE

GRADE 12

ACCOUNTING P2

NOVEMBER 2020(2)

MARKING GUIDELINES

MARKS: 150

MARKING PRINCIPLES:

1. Unless otherwise stated in the marking guidelines, 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 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 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. 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 reasonableness of answer.
10. Operation means 'check operation'. 'One part correct' means operation and one part correct. Note: check operation must be +, -, x, ÷, or per memo.
11. In calculations, do not award marks for workings if numerator & denominator are swapped – this also applies to ratios.
12. In awarding method marks, ensure that candidates do not get full marks for any item that is incorrect at least in part. Indicate with a ☒.
13. Be aware of candidates who provide valid alternatives beyond the marking guideline. Note that one comment could contain different aspects.
14. Codes: f = foreign item; p = placement/presentation.

These marking guidelines consist of 10 pages.

QUESTION 1**1.1 VAT****1.1.1**

	Workings	Answer
(a)	89 700 – 78 000	11 700 ✓
(b)	12 400 x 15% or 15/100 one mark for both figures only if all workings are correct and no other operations done & if there is no final answer	1 860 ✓✓
(c)	210 x 115/15 OR 1 400 + 210 one mark for both figures only if all workings are correct and no other operations done & if there is no final answer	1 610 ✓✓
(d)	149 500 two marks (158 700 – 9 200) ✓✓ x 15/115 ✓ OR 20 700 – 1 200 two marks one mark	19 500 ✓ must be x by 15/115 & one other part correct

9

1.1.2**Comment on this practice and provide Amahle advice.**

COMMENT ✓✓ part marks for incomplete / unclear / partial comment	ADVICE ✓
<ul style="list-style-type: none"> Unethical to use money not earned by the business to pay running / operational costs The business is an agent of SARS and must make payments timeously The business can be fined (penalties) for non-compliance / evasion / manipulation / deferring of payment of VAT It could result in a more extensive investigation for irregularities in the future This is rolling over of cash / evasion; which could escalate to a serious problem. 	<ul style="list-style-type: none"> Keep proper records / ensure that the funds are always available to make payments Note submission dates and plan in advance. Only use business funds to cover business commitments / work within the budget

3

1.2 CREDITORS' RECONCILIATION

Accept brackets for negative amounts

or Dr (-) and Cr (+) in the CL and Dr (+) and Cr (-) on the statement

1.2.1

	Creditors' Ledger Account of Thembeke Suppliers in the Books of Ekasi Traders	Statement of Account from Thembeke Suppliers
Balance	117 200	157 400
(a)	- 49 100 ✓	
(b)		13 100 – 10 300 ✓✓ + 2 800 No part marks
(c)	+ 12 500 ✓	
(d)		- 6 400 ✓
(e)	- 9 700 - 9 700 one mark one mark ✓✓ -19 400	
(f)		- 92 600 ✓
	61 200 <input checked="" type="checkbox"/> *	61 200

*Both totals: inspect. Must include opening balances; can be different amounts
-1 for foreign items per line provided a mark is scored on that line
(i.e. max could be -6) accept fully correct answers on wrong lines

9

1.2.2**What should the owner say to Bradley regarding this incident? Explain TWO points.**

Any TWO valid explanations ✓✓ ✓✓

part marks for incomplete / unclear / partial answers

Do not accept theft or firing / drawings as an explanation

- He should not take advantage of his position in management / abuse of authority / possible conflict of interest
- This **can be viewed as** wrong (i.e. unethical or devious)
- Against business policy i.e. all transactions must be authorised and documented / compromising internal controls
- He must pay back the money / he could open an account with the business and purchase the goods
- He could negotiate with the owner in advance to get a special price or at cost
- He could be liable for disciplinary action (warning) and could tarnish his good reputation
- Suspension / warning of dismissal / demotion will be considered (if caught again).

4

TOTAL MARKS**25**

QUESTION 2**2.1 PERFECT FIT MANUFACTURERS****2.1.1 PRODUCTION COST STATEMENT
FOR THE YEAR ENDED 28 FEBRUARY 2021**

For misplaced items, award part-marks for workings but not on answer

Direct material cost 1 575 000 + 75 000	1 650 000 ✓✓ one part correct
Direct labour cost Prime cost – DMC	900 000 ✓
Prime cost	2 550 000
Factory overhead cost one mark one mark - 117 600 + 98 000 (117 600 x 5/6) – 117 600 518 800 ✓ + 16 800 ✓✓ – 19 600 ✓✓ 25 200 x 2/3 or 25 200 – 8 400	516 000 ✓ one part correct
Total manufacturing cost Prime + FOHC	3 066 000 ✓
Work-in-progress (beginning)	230 000 ✓
	3 296 000
Work-in-progress (end) TCP – sub-total above For bracket check if operation is +ve or -ve	(104 000) ✓ don't accept 230 000
Total cost of production 7 600 x R420	3 192 000 ✓✓ no part marks

14

2.1.2 Calculate: Gross profit earned on sale of shirts.

Workings	Answer
$4\,860\,000 \checkmark - (342\,000 \checkmark + 3\,192\,000 \checkmark) - 168\,000 \checkmark$ <small>see 2.1.1 400 x 420</small> 3 366 000 three marks OR: $(900 \times 220) + (7\,200 \times 180)$ <small>one mark one mark one mark one mark</small> 198 000 two marks 1 296 000 two marks ALSO: Accept T-account	1 494 000 ✓ one part correct Must be Sales – COS 2 nd method: Must be 2 batches
Workings	Answer
$\frac{1\,494\,000}{3\,366\,000} \times 100$ <small>see 2.1.2 above see 2.1.2</small> (342 000 + 3 192 000 – 168 000) Inspect correct transfer of totals from above; x 100 is not 'one part correct' for the method mark OR: $3\,366\,000 \times (100 + y/100) = 4\,860\,000$ $y = 44,4\%$	44,4% ✓✓ one part correct must be $GP \div COS$ Sign not needed

5

2

2.2 LEATHER MANUFACTURERS**PURSES:**

2.2.1 Calculate the break-even point for purses for the year ended 28 February 2021.

Workings	Answer
$\frac{R936\,000}{R295 - R255}$ <p>R40 two marks</p>	<p>23 400 units <input checked="" type="checkbox"/></p> <p>one part correct must be $FC \div \text{Contrib/u}$ Must not be R, c, % etc Assume units if no other sign</p>

4

2.2.2 Comment on the level of production achieved and the break-even point for purses for 2021. Quote figures.

Compulsory response: Do not mark optional responses if marks are earned on compulsory response
Comparison of BEP to level of production for 2021 ✓✓ Figures ✓✓

Optional responses: Max two marks in total (mark one optional response only)

Comparison of BEP 2021 to 2020 with figures

OR: Comparison of Production 2021 to 2020 with figures

Expected responses for 4 marks:

- The business produced 600 units more than break-even / profit on 600 units / R24 000 extra profit
- BEP compared to production reflects a profit on 600 units in 2021 compared to a profit on 1 100 units in 2020 / this is a decrease in profits on 500 units (1100 – 600) in 2021 compared to 2020

Expected response for 2 marks in total:

- Production increased by 2 000 units (24 000 – 22 000) / to 24 000 units / by 9% and/or BEP increased by 2 500 units (23 400 – 20 900) / to 23 400 / by 12%

4

2.2.3 Apart from inflation and wage increases, provide TWO other possible reasons for the increase in the direct labour cost per unit for purses.

TWO valid reasons ✓✓ ✓✓ Explanations not needed

- Overtime paid at higher rates endorsed or approved / bonus for good performance or extra time / negotiate higher fringe benefits / targets not met during normal time / overtime was needed to meet targets
- Low productivity of workers (not productive or efficient)
- Interruptions (due to malfunctioning machines / load-shedding / COVID-19 lockdown)
- Higher qualifications of workers / employed higher-skilled workers
- Poorly trained workers / lack of supervision / time wasted in re-doing work.

Do not accept: Employ more workers (their inefficiency is the problem) / increase in demand

4

2.2.4 Give TWO reasons for the decrease in the direct material cost per unit for purses.

Any TWO valid reasons ✓✓

- Cheaper (new) or local suppliers used
- Took advantage of bulk discounts / negotiated discounts
- Better supervision / less wastage / better control over issuing / use of material
- Better cutting methods / use patterns or technology / better skilled workers / better training of workers
- Cheaper transport costs / petrol costs / using own transport

2

JACKETS:

2.2.5 Explain why the direct material cost per unit for jackets would probably increase if raw material is imported. State TWO points.

TWO valid points ✓ ✓

- Additional / increase in transport costs e.g. freight, shipping
- High quality material not available locally
- Custom duties / import duties / taxes
- Better packaging
- Different / weak exchange rate

2

Provide figures to prove that Tello was correct about the effect this decision would have on the cost of the jackets.

Direct material cost per unit increased (from R180) to R360 / by 100% / by R180 / it doubled. (Note: could mention effect on total Variable Cost).

2

2.2.6 Calculate the % increase in the selling price of the jackets.

Workings	Answer
$\frac{1\ 170 - 780}{780} \times \frac{100}{1}$ <p>x 100 is not 'one part correct' for the method mark</p>	<p>50% ✓</p> <p>one part correct must be expressed as percent sign not necessary difference in SP must be numerator</p>

3

2.2.7 Explain the impact of the increase in the selling price of jackets on the sales and profit. Quote figures or calculations.

ONE reason ✓✓ part marks for incomplete / unclear / partial answers figures ✓ ✓

- Units produced and sold decreased by 2 719 units / (from 6 350) to 3 631 / by 42,8%.
- The BEP dropped by 1 250 units / from 5 000 to 3 750 / by 25%
- Made loss on 119 units in 2021 and profit on 1 350 units in 2020 / sales dropped from R4 953 000 to R4 248 270 / by R704 730 / by 14,2%

For candidates who pick up the reversed figures in BEP/Production:

- OR 1 250 units less / from 5 000 – 3 750 / by 25%
- OR 2 719 units less / from 6 350 – 3 631 / by 42,8%
- OR Made a loss on 1 350 units in 2020 and a profit on 119 units in 2020 / sales increased from R3 900 000 to R4 387 500 / by R487 500 / by 12,5%

4

2.2.8 Tello wants to increase profits on jackets by an additional R250 000 in the next financial year. Assuming the cost structure remains the same, calculate the total number of additional units he must produce to achieve this target.

Note: mark this question independently of Q2.2.7

Workings	Answer
$\frac{250\ 000}{470}$ <p>1 170 – 700</p> <p>Accept 4 163 two marks –3 631 one mark (1 706 250 + 250 000) ÷ 470</p> <p>ALTERNATIVE: For candidates who pick up reversed figures in BEP and production i.e. move from loss to profit; Do not penalise for using / not using a previous loss.</p> <p>OR: 532 + 119 OR: $\frac{250\ 000 + 55\ 930}{470}$</p> <p>OR: Use BEP calculation to calculate the units Accept 4 163 two marks –3 750 one mark (1 706 250 + 250 000) ÷ 470</p>	<p>532 units ✓</p> <p>one part correct</p> <p>OR: 651 units</p> <p>OR: 413 units</p>

4

TOTAL MARKS**50**

QUESTION 3**3.1 DEBTORS' COLLECTION SCHEDULE FOR MARCH TO MAY 2021**

*one part correct

MONTHS	CREDIT SALES R	MARCH R	APRIL R	MAY R
January	204 750	16 380		
February	250 250	125 125	20 020	
March	364 000	136 864	182 000	29 120 ✓✓
April	409 500		153 972	204 750 ✓✓
May	500 500 ✓✓		Credit sales x 40% x 94%	188 188 ✓✓ if CrS x 0,376
	If not shown, give marks on final answer	278 369	335 992	422 058 ✓ Operation*

9

3.2 AMOUNTS FOR THE CASH BUDGET

*one part correct

	Workings	Amount
(a)	Cash sales for April ✓ ✓ 630 000 x 35% April credit sales OR: 630 000 – 409 500 OR: 360 000 x 175/100 x 35% one mark one mark (one mark) one mark OR: 409 500 x 35/65 one mark one mark	✓ R220 500 Accuracy mark to deal with part-mark inconsistency 3
(b)	Increase in loan from Janet Bloom (2 625 – 1 365) ✓ ✓ ✓ 1 260 ÷ 0,09 x 12 OR 1260 x 100/9 x 12 OR 1 260 x 12 / 9% two marks one mark Be alert to different method of calculation OR 350 000 – 182 000 (2 625 / 0,09 x 12) – (1 365 / 0,09 x 12)	✓* R168 000 One part correct 4
(c)	Salaries for April 2021 ✓ ✓ ✓ 22 400 x 3/2 x 1,05 If assumed that extra assistant did not get the 5% increase, then answer will be: OR: 11 760 x 3 22 400 x 105% 22 400 / 2 x 1,05 23 520 + 11 200 = 34 720 two marks one mark OR: (11 200 + 22 400) x 1,05 Be alert to other combinations of figures e.g. R1 120, R23 520, R33 600	✓* R35 280 One part correct Apply rule 4 4
(d)	Rent expense for March 2021 ✓ ✓ 39 960 x 100/111 OR 39 960 ÷ 111% OR 39 960 ÷ 1,11 OR 39 960 – 3 960	36 000 ✓* One part correct 3

14

3.3 Explain the decisions that the directors took regarding the budgeted and actual expenditure for advertising in May 2021. Quote figures or calculations.

Explanation on budget ✓ Figures ✓ Explanation on actual expenditure ✓ Figures ✓

Expected response for 4 marks:

- Advertising budget increased by R18 000 / (from R12 000) to R30 000 / by 150%.
- Actual expenditure on Advertising exceeded the budget by R12 000 / from R30 000 to R42 000 / by 40%

4

The directors ask you for a report on the effect that the advertising decisions have actually had on customers and sales in May 2021.

Provide TWO points that you would include in your report. Quote figures or calculations.

Explanation on customers ✓ Figures ✓ Explanation on sales ✓ Figures ✓

Expected responses for 4 marks:

- **Customers:** The actual was 135 / 25 more (than the 110 expected) / 22,7% more / the business projected an increase of 20 customers / budget for 22,2% increase in customers, but actual increase (April to May) is 50%
- **Sales:** The actual sales were less than budget by R80 000 (from R770 000) to R690 000 by 10,4%.

4

Explain how the decline in the national economy has affected the average amount that customers spent in May 2021. Quote figures.

ONE explanation ✓ with figures ✓ ✓

Expected response for three marks:

- The average sales were budgeted at R7 000 per customer but this actually dropped to R5 111 per customer (690 000 / 135)
- It appears that the increase in advertising has attracted many new customers (25) who do not have the same spending power as the company's traditional customers / sales per customer decreased (they spend R5 111 instead of R7 000 each)
- More customers are repairing dresses rather than buying new ones. Fee income exceeded budget by R6 000 (R21 000 – R15 000) / 40%. Sales of new dresses were R80 000 less than the budget (10,4%).

Expected responses for one mark:

Customers might be window-shopping / spending less / more buying on credit

3

Comment on whether the consumable stores have been well controlled or not. Quote figures or calculations.

Response for two marks: Comment which shows that consumable stores used were well controlled and are compared to fee income, with any valid figures provided.

Response for one mark: Comment which shows that consumable stores were overspent without being compared to fee income, with any valid figures provided.

Response for no mark: Comment which shows that consumable stores were overspent without being compared to fee income, with no figures provided.

Expected response for full marks: Mark comment & figures independently

- Consumable stores were budgeted at 28% ($R4\ 200 \div R15\ 000$) of fee income, while actual amount spent was 26% of actual fee income ($R5\ 520 \div R21\ 000$).
- Consumable stores exceeded the budget by 31,4% / by R1 320 ($R5\ 520 - R4\ 200$) while fee income exceeded the budget by 40% / by R6 000 ($R21\ 000 - R15\ 000$)

2

3.4

Calculate the reduction in the area rented (in square metres).

Workings	Answer
Reduction in rent = $R39\ 960 - R31\ 968 = R7\ 992$ $R39\ 960 / 120\ m^2 = R333$ Reduction in area = $R7\ 992 \checkmark \div R333$ $\checkmark \checkmark$	24 m ² <input checked="" type="checkbox"/> * one part correct
OR: $120 - (R31\ 968 \div 333)$ OR: $120 \times 20\%$ <small>two marks two marks</small> <small>96 two marks 7 992 / 39 960</small>	If final answer is R333 or 96m ² only 2 marks
<small>answer expressed as m² Sign not needed</small>	

4

TOTAL MARKS

40

QUESTION 4**4.1**

4.1.1	Weighted average ✓ accept recognisable abbreviations
4.1.2	FIFO ✓
4.1.3	Specific identification ✓
4.1.4	Perpetual system ✓ don't accept PS

4

4.2 LOTUS ACCESSORIES**4.2.1**

Calculate: Value of closing stock for gas lamps (using FIFO)	
Workings	Answer
$(220 - 40) \quad (270 - 180)$ $(180 \checkmark \checkmark \times R80 \checkmark) + (90 \checkmark \times R75 \checkmark)$ R14 400 three marks If adds up to 270 R 6 750 two marks	R21 150 <input checked="" type="checkbox"/> * *one part correct Must be 2 batches
Calculate: Stockholding period in days of gas lamps (using closing stock)	
Workings	Answer
Using totals: $\frac{21\,150 \checkmark \text{ see above}}{12\,650 \checkmark + 193\,500 \checkmark - 3\,200 \checkmark - 21\,150 \checkmark \text{ see above}}$ x 365 181 800 (40 x 80)	42,5 days <input checked="" type="checkbox"/> * Must be x by 365 one part correct Accept 42 or 43 days
OR: Using units: $\frac{270}{2\,180} \text{ one mark} \times 365$ 2 180 four marks	OR 45,2 days Accept 45 days
OR: $\frac{270}{(230 + 2\,750 - 40 - 270)} \times 365$ or $\frac{270}{2\,940 - 270}$ 2 670	OR 36,9 days Accept 37 days
OR: $\frac{270}{(230 + 2\,770 - 40 - 270)} \times 365$ or $\frac{270}{2\,960 - 270}$ 2 690	OR 36,6 days Accept 37 days
Answer must be reflected in days, but 'days' does not have to be specified	

6

4.2.2 Alex suspects that the stock of gas lamps are not well controlled. Calculate the number of gas lamps missing.

Workings	Answer
One mark in total $230 + 2\,750 - 40$ $2\,940 \checkmark - 2\,180 \checkmark - 270 \checkmark$	One mark in total $230 + 2\,770 - 40$ $2\,960 - 2\,180 - 270$
	490 <input checked="" type="checkbox"/> one part correct OR 510

4

4.2.3 What should Alex say to his brother when dealing with this matter? Provide TWO points. Give TWO valid points ✓✓ ✓✓ part marks for incomplete, unclear or partial answers

- His actions are unethical / illegal / theft / compromises business profitability
- Tell him he can face dismissal / disciplinary action
- He must reimburse Alex for the loss
- It is a conflict of interest / he is taking advantage of being a family member / enriching himself at the expense of the business and he must stop this practice
- He should not be expected to be treated differently and he will be subject to the rules and procedures of the business
- All stock movements must be recorded / declared in advance
- Output VAT not paid over to SARS (which is a criminal offence)

4

4.2.4 Calculate the closing stock value for gas stoves on 30 April 2021 (using the specific identification method).

Workings		Answer
$59\,400 + 13\,860$ $280 - 132$ $(148\checkmark \times R495\checkmark)$ 73 260 two marks	$42\,000 + 32\,200$ $160 - 54$ $(106\checkmark \times R700\checkmark)$ 74 200 two marks	R147 460 <input checked="" type="checkbox"/> * *one part correct Must be 2 models

5

4.2.5 Alex thinks he should stop selling gas stoves as they are causing a liquidity problem and the profit is low. Provide figures to support his opinion.

Any valid opinion ✓ Figure ✓

Possible responses: Be alert to candidates who focus on one model only (different figures)

- Too much cash tied up in stock, R147 460 [see 4.2.4](#)
- Total profit on gas stoves is **low** R54 060 (R38 940 + R15 120)
- Low turnover rate / only 186 units **sold**, of 440 **available** / 42,3%.
- Too much stock on hand, 254 units.

2

Explain TWO points to convince him NOT to discontinue trading in gas stoves.Any TWO valid points ✓✓ ✓✓ [part marks for incomplete, unclear or partial answers](#)

- He is achieving a 60% profit on B-Lite and a 40% profit on Smart.
- He could reduce the mark-up to increase sales (recognising the state of the economy and his customers).
- These stock items are durable and can be sold in the future.
- The trend is to move towards gas because of load shedding – demand will increase in the future.
- Customers may not be aware that he is selling these products / he must advertise more extensively
- A variety of stock will attract more customers
- Gas is cheaper than electricity

4

TOTAL MARKS**35****TOTAL: 150**