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Department:
Basic Education
REPUBLIC OF SOUTH AFRICA

NATIONAL SENIOR CERTIFICATE

GRADE 12

ACCOUNTING P2

NOVEMBER 2021

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. Unless otherwise stated, give full marks for correct answer. If answer incorrect, mark workings.
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. If candidates provide more than the required number of responses, inspect all responses to give benefit to the candidate. Penalties may be applied for foreign entries if earning full marks not related to Q (max -2 per Q).
8. This memorandum is not for public distribution; as certain items might imply incorrect treatment. The adjustments made are due to nuances in certain questions.
9. Where penalties are applied, the marks for that section of the question cannot be a final negative.
10. Where method marks are awarded for operation, marker must inspect reasonableness of answer.
11. Operation means 'check operation'. 'One part correct' means operation and one part correct. Note: check operation must be +, -, x, ÷, or per memo.
12. In calculations, do not award marks for workings if numerator & denominator are swapped – this also applies to ratios.
13. 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 ☒.
14. Be aware of candidates who provide valid alternatives beyond the marking guideline. Note that one comment could contain different aspects.
15. Codes: f = foreign item; p = placement/presentation.

These marking guidelines consist of 12 pages.

QUESTION 1

- 1.1 Provide TWO documents that Zig Zag Traders will need from potential debtors before they will be allowed to open accounts.**

Any two ✓ ✓ accept recognisable abbreviations

- Identity document (ID)
- Salary advice slip / proof of income / proof of registration (student)
- Proof of residence (municipal bill / from statements) / residential address
- References / credit history / not listed on credit bureau / credit score / Income tax certificate (ITC)
- Bank statement (3 months)
- Criminal record (police clearance record)

2

- 1.2 Calculate: Correct closing balance of the Debtors' Control Account on 30 September 2021. Indicate changes with '+' for an increase, '-' for a decrease or '0' for no change.**

PROVISIONAL BALANCE	228 000
(i)	+ 1 750 ✓
(ii)	0
(iii)	(62 500 – 65 200) two marks – 2 700 ✓✓
(iv)	+ 7 000 ✓✓ +3 500 one mark + 3 500 one mark
(v)	+ 5 200 ✓
(vi)	(250 – 700) two marks – 450 ✓✓
(vii)	0
	R238 800 ✓ one part correct; must include provisional balance

Accept brackets for – sign; if no sign assume positive
-1 foreign entries (max - 2); see ii and vii.

9

Calculate: Correct amounts owed by the following debtors only:

DEBTOR	WORKINGS	ANSWER
A Barnes	(13 500 + 1 750 ✓ – 450 ✓)	14 800 ✓*
C Davis	(25 000 + 3 500 ✓ + 3 500 ✓) or 7 000 two marks	32 000 ✓*
E Foley	(18 300 – 2 500 ✓ – 7 850 ✓)	7 950 ✓*

Pre-printed balances are not regarded as "one part correct" *one part correct

9

1.3

Explain THREE different problems highlighted by the debtors' age analysis. Provide the name of a debtor and/or figure(s) in EACH case.

PROBLEM ✓ ✓ ✓	NAME OF DEBTOR AND / OR FIGURES ✓ ✓ ✓ Accept "other debtors" if figures are provided Accept name of debtor / figures if included with the problem
Not adhering to <u>credit terms</u> / slow payers	<ul style="list-style-type: none"> • J Blom; R20 000 > 30 days • O. Mach; R4 000 > 90 days • Other debtors: 42 864 > 60 days • 28% of debtors do not comply with terms (66 864 / 238 800)
Exceeding <u>credit limits</u>	<ul style="list-style-type: none"> • Z Phi: Exceeds credit limit by R7 000 (limit R22 000; balance R29 000)
<u>Poor / ineffective internal controls</u> over debtors (Allowing defaulting debtors to buy on credit / exceed limits set)	<ul style="list-style-type: none"> • O. Mach: current purchase of R2 000 whilst R4 000 of balance > 90 days • J. Blom: current purchase of R18 000 whilst R20 000 of balance > 60 days • Other debtors with current purchases of R55 244 whilst R30 148 of balance is > 60 days and R12 716 > 90 days

6

1.4

Provide TWO points to support the internal auditor's concern that Susan's job description could lead to potential fraud.

Any TWO separate or different points ✓✓ ✓✓ part marks for incomplete / partial / unclear responses

- Too many related functions performed by one person - could compromise efficiency / job not done well
- Lack of supervision could lead to negligence / rolling over of cash / theft / no authorisation for returns / not applying returns policy effectively
- No division of duties – temptation to engage in fraudulent transactions / manipulating sales or returns / creating false documents / mismanagement / poor record-keeping (stock sheets / debtors)
- No continuity of tasks / tasks may not get done / lag behind if Susan is on leave / absent.
- Cash is easily stolen (not using electronic payments / credit cards / EFT)

4

TOTAL MARKS

30

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

Direct material cost	1 494 000
Direct labour cost 647 400 x 100/78 or + 182 600	830 000 ✓✓ one part correct
Prime cost DMC + DLC	2 324 000 ✓
Pre-adjustment figure is not regarded as "one part correct"	
Factory overhead cost no part marks on each sub-figure in workings 520 280 – 22 400 ✓ – 29 520 ✓✓ + 2 640 ✓✓	471 000 ✓ one part correct
Cost of production of finished goods PC + FOHC	2 795 000 ✓

10

2.1.2 ABRIDGED STATEMENT OF COMPREHENSIVE INCOME (INCOME STATEMENT) FOR THE YEAR ENDED 28 FEBRUARY 2021

Sales	4 433 600
Cost of sales 72 000 + 2 795 000 see PCS (2.1.1) – 96 000 award ONE method mark for one part correct	(2 771 000) ✓✓*
Gross profit Sales – COS	1 662 600 ✓
Pre-adjustment figures are not regarded as "one part correct"	
Other expenses Ignore brackets	(462 000) ✓*
Selling and distribution costs 224 960 + 19 680 ✓ – 2 640 ✓ see FOHC above	242 000 ✓*
Administration cost 187 760 + 22 400 ✓ + 9 840 ✓ 98 400 x 10% / if 50% of SDC	220 000 ✓*
Net profit for the year GP – OE	1 200 600 ✓

11

*one part correct

2.2 CONTROL OF RAW MATERIAL**2.2.1**

Calculate the metres of fabric:	Internal control strategy
$\begin{array}{r} 1\ 050 \\ (2\ 700 + 10\ 800 - 12\ 450) - 850 \\ = 200 \text{ metres } \checkmark \checkmark \\ \text{one part correct} \end{array}$	<ul style="list-style-type: none"> Physical counts / random inspections / keep detailed stock records / control or monitor the movement of fabric Rotation / division of duties / storeroom manager to be accountable Improve security at receipt / dispatch points / limit access to storeroom Storeroom staff to have lockers (no bags allowed in storeroom)
<p>Wasted in the factory</p> $\begin{array}{r} 7\ 800 \times 1,5 \text{ metres} \\ 12\ 450 - 11\ 700 = 750 \text{ m } \checkmark \checkmark \\ \text{one part correct} \end{array}$ <p>OR</p> $\begin{array}{r} 12\ 450 / 1,5\text{m} \\ 8\ 300 - 7\ 800 \\ 500 \times 1,5\text{m} \end{array}$	<ul style="list-style-type: none"> Improve training Use cutting patterns / technology Improve supervision Make use /or buy good quality material Effective use of off-cuts Incentives for minimizing wastage Regular servicing of machines

6

2.2.2

Calculate the total cost of the metres of fabric lost and wasted.	
WORKINGS	ANSWER
$\begin{array}{l} 200 + 750 \text{ see 2.2.1} \\ 950\text{m} \times \text{R120} \end{array} \quad \text{OR} \quad \begin{array}{l} 200 \times 120 \quad 750 \times 120 \\ \text{R24 000} + \text{R90 000} \end{array}$	$\text{R114 000 } \checkmark \checkmark$ <p>If amounts calculated in 2.2.1 x R120 Two or nothing</p>
<p>Explain how this loss should be shown in the statements mentioned in QUESTION 2.1 on the previous page.</p> <p>Any valid answer, e.g. ✓</p> <ul style="list-style-type: none"> Amount shown as an <u>expense item</u> (on the Income Statement) Examples of possible expense items: e.g. loss due to theft / administrative cost / selling and distribution cost increased direct material cost / adjust factory overhead cost / cost of sales 	

3

2.3 ROSEMARY'S TOY FACTORY**2.3.1**

Provide a calculation to confirm that the break-even point for the 2021 financial year is correct.

$$\frac{224\ 000 \checkmark}{255 \checkmark - 192 \checkmark} = 3\ 556 \text{ units}$$

63 two marks

Numerator and denominator must be marked as such

OR

Sales at BEP (255 x 3555,55)	Total FC	VC at BEP (192 x 3 555,55)	
906 665	– 224 000	– 682 665	= 0
one mark	one mark	one mark	

3

2.3.2 Explain why Rosemary is pleased with the production level, sales and break-even point. Quote figures.Valid comparison ✓✓ Figures ✓✓ **part marks for incomplete / partial / unclear responses**

Must mention Production (and sales) and BEP for four marks

- Produced and sold 1 344 units above the BEP (4 900 – 3 556) / making a profit on 1 344 units
- Made a profit (includes production and sales) on 1 344 units (4 900 – 3 556) in 2021 compared to 500 units (4 000 – 3 500) in 2020 / profit on an additional 844 units (168,8%)
- Profit (includes production and sales) was R84 672 (1 344 x R63) in 2021 and R32 000 (500 x R64) in 2020; an increase in of R52 763 (164,8%)
- Sales / production increased by 900 units (4 900 – 4 000) / by 22,5% whereas BEP increased by only 56 (3 556 – 3 500) / by 1,6%. – good control over costs.

Two-mark options: **Only ONE of: (max 2 marks)**

- Revenue from sales increased from R960 000 to R1 249 500 (R289 500 / 30,2%)
- Comparison of units produced only (4 900 – 4 000) / by 900
- Comparison of BEP only (3 556 – 3 500) / by 56

4

2.3.3 Explain to Rosemary why the fixed cost per unit decreased from R56,00 to R45,71.ONE point that either mentions or explains economies of scale ✓✓ **Two marks or nothing**

- Economies of scale: As more units are produced, fixed cost per unit would decrease
- Increased production (by 900 units) resulted in a decrease in fixed cost per unit, due to fixed cost remaining fairly constant or not influenced by levels of production
- The average fixed cost per unit would decrease as units produced increases / total fixed costs (constant) are divided by a large number of units.

2

2.3.4 Rosemary made deliberate decisions regarding variable costs to improve the business. Explain the decisions that she might have taken on these costs and how these could have had positive effects on the business. Quote figures.

Cost	Comment and positive effect (with figures) Unit costs must be compared (not the total amounts for cost items)
Direct material cost Comment (with figure) ✓ Positive effect ✓	Increased from R80 to R100 per unit / by R20 / 25% <ul style="list-style-type: none"> • Improved quality of teddy bears; justifies price increase • Better quality – satisfied customers – less returns – improved sales – higher profits
Direct labour cost Comment (with figure) ✓ Positive effect ✓	Decreased from R72 to R56 per unit / by R16 / 22,2% <ul style="list-style-type: none"> • Improved efficiency through training • Better supervision of normal-time targets / more control over overtime. • Shift from physical labour to machines
Selling and distribution cost Comment (with figure) ✓ Positive effect ✓	Increased from R24 to R36 per unit / by R12 / 50% <ul style="list-style-type: none"> • More advertising increased sales • Delivering to a wider area / offered free delivery • Commission to motivate sales persons

6

TOTAL MARKS 45

QUESTION 3**3.1 DEBTORS' COLLECTION SCHEDULE**

Calculate the amounts denoted by (a)–(c)

	Credit Sales R	December 2021 R	January 2022 R	Bad debts
Oct 2021	308 000	67 760		(a) 13 860✓✓
Nov 2021	319 200	143 640	70 224	
Dec 2021	364 000	103 740	(b) 245 700✓✓	
Jan 2022	352 800		(c) 150 822✓✓	
		315 140		

6

3.2 Calculate the amounts denoted by (a)–(c) on the Cash Budget.

(a) Rent income for December 2021:	
WORKINGS	ANSWER
$20\,056 \times 100/109$ or $20\,056 - 1\,656$	18 400 ✓✓ one part correct
(b) Payment to creditors in January 2022	
WORKINGS	ANSWER
$456\,000 \checkmark \times 80\% \checkmark$ OR $456\,000 - 91\,200$ (20% of 456 000) one mark one mark	364 800 ✓ one part correct
(c) Payment for cleaning services in January 2022	
WORKINGS	ANSWER
$15\,510 \checkmark \times 100/165 \checkmark \times 105/100 \checkmark$ one mark one mark OR $\frac{15\,510 \times 105}{165}$ one mark (as denominator)	9 870 ✓ one part correct Accept: 9 400 as a final answer: three marks; 9 400 + 470; four marks; 9 400 + any other amt: three marks only

9

3.3 Workload of employees:

Provide TWO points that Brian can explain to his sales staff to justify his plan. Quote figures.

Be aware of alternative ways of expressing statistics

TWO points (with figures) ✓✓ ✓✓

part marks for incomplete / partial / unclear responses

- He budgeted for 230 customers; only 175 was recorded / 55 less (23,9%) / 76%
- Sales was less than budgeted (798 000 – 707 000) / by R91 000 / 11,4%
- Salaries are set at a basic rate of R16 400 per worker (cost the business when budgeted sales are not achieved)

Assuming 5 workers (including driver)

- Each worker was expected to attend to 46 customers (230/5); but the actual is an average of 35 customers (175 /5) / 11 less / 23,9%
- Retrenching one person will not affect the expected workload of the remaining 4 workers, projecting an average of 44 (175/4) customers (expected 46)

Assuming 4 sales staff (excluding driver)

- Each worker expected to attend to 58 (230/4) but actual is 44 (175/4) / 14 less / 24%
- If one is retrenched, the average customers per worker is 58 (175/3) customers; same as the expected 58 (230/4).

4

Explain why the repair staff members are not satisfied with their workload. Quote figures.

Be aware of alternative ways of expressing statistics

ONE point ✓ figures ✓✓

- They are over-worked. Customers (from 70 expected to 136-actual) / 66 more than expected / 94% more / 194%. Customers prefer to repair rather than buy.
- They are expected to attend to 35 customers per worker but attended to 68 customers (an average of an additional 33 customers per worker)
- Fee income is R34 000 more than expected / 66 000 – 32 000 / 106%
- Wages fixed at a basic rate of R5 500 per worker – not influenced by workload / commission, and is R10 900 less than a sales worker.

3

What suggestions can you offer to solve the problem of the workload of employees? Provide TWO points.

TWO different points ✓✓ ✓✓

part marks for incomplete / partial / unclear responses

- Train the sales staff member to do repairs
- Suggest incentive bonuses / overtime pay
- Negotiate a better wage package / commission
- Train staff to work in other departments / rotation
- Employ temporary staff / casual workers / employ more workers

4

3.4 Sales trends:

Comment on the cash and credit sales figures for November 2021. Explain why Brian is concerned. Quote figures.

Comment on both cash sales ✓ and credit sales ✓ (with comparison of budget and actual figures) ✓

Comment on cash sales only (with comparison of budget and actual figures) one mark

Comment on credit sales only (with comparison of budget and actual figures) one mark

Expected responses for 3 marks:

- Cash sales are lower than expected by R336 800 / 70,3% / (478 800 – 142 000) whilst credit sales are higher than expected by R245 800 / 77% / (565 000 – 319 200)
- Cash sales are now only 20% of total sales (142 000/707 000) expected 60%; whilst credit sales are now 80% of total sales (565 000 / 707 000); expected 40%

3

3.5 Comment on the control over fuel for the delivery vehicle and the consumable stores used for repairs. Quote figures.

EXPENSE	COMMENT (with figures) Explanation ✓ ✓ Figures: must compare budget to actual percentages ✓✓ ✓✓ Allocate ONE mark for relevant total amounts for EACH expense
Fuel for delivery vehicle	Fuel expense is not well controlled, assuming that all customers require delivery <ul style="list-style-type: none"> Budgeted at 2,6% of total sales (20 800/798 000); actual was 2,8% of actual sales (19 900/707 000) Total sales less than budgeted by 11,4% / by R91 000 Fuel is less than budgeted by 4,3% / by R900
Consumable stores for repairs	Efficient control over consumable stores / well controlled / indication of minimal wastage <ul style="list-style-type: none"> Budgeted to spend 25% of fee income (8 000/32 000); actual usage was 18,3% (12 100/66 000) Fee income is more than budgeted by 106% / by R34 000 Consumable stores are only 51,3% more than the budgeted amount / by R4 100.

6

TOTAL MARKS	35
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QUESTION 4:

4.1.1

Calculate: Value of the closing stock on 28 February 2021

WORKINGS	ANSWER
<p>2 346 040 four marks 2 182 700 two marks 60 x 900 2 490 x 25</p> $\frac{101\,090 \checkmark + 2\,236\,700 \checkmark - 54\,000 \checkmark + 62\,250 \checkmark}{2\,636 \checkmark \text{ one part correct} \quad 206 + 2\,490 - 60} \times 420$ <p>Numerator and denominator must be marked as such</p> <p>OR: R890 six marks x 420</p>	<p>R373 800 <input checked="" type="checkbox"/></p> <p>One part correct must be x 420</p>

7

4.1.2

Calculate: Stock turnover rate

WORKINGS	ANSWER
<p>Using units:</p> $\frac{2\,216 \checkmark}{\frac{1}{2} \checkmark (206 + 420) \checkmark} \quad 313 \text{ two marks}$ <p>Using amounts:</p> $\frac{1\,972\,240 \text{ one m.marks}}{\frac{1}{2} (2\,346\,040 - 373\,800) \text{ see 4.1.1.} \quad \frac{1}{2} (101\,090 + 373\,800) \text{ see 4.1.1.}}$ <p>one mark one m.mark 237 445 two m.marks</p> <p>Numerator and denominator must be marked as such</p>	<p>7,1 times <input checked="" type="checkbox"/></p> <p>one part correct; accept 7 times</p> <p>8,3 times <input checked="" type="checkbox"/></p> <p>one part correct; accept 8 times</p>

4

4.1.3

Comment on the stock turnover rates for boots and sandals and identify the major problem relating to EACH product. Quote figures.

	COMMENT ON STOCK HOLDING RATE (WITH FIGURES) Comment ✓ ✓ Figures ✓ ✓	IDENTIFY MAJOR PROBLEM Explanation of problem ✓ ✓ Figures are not necessary; may enhance the quality of responses
Boots	<ul style="list-style-type: none"> STR of 2 (average every 6 months) experiences slow sales / generating good gross profit (R1 122 300) Mark-up of 80% may be too high; expensive for customers – (exclusive clientele) 	Too much stock on hand (62% of total closing stock) / Money tied up in stock (R708 400) will impact on liquidity / also a security risk / theft / can become obsolete.
Sandals	<ul style="list-style-type: none"> STR is 76 (every 5 days); Low mark-up of 33,3% makes this very affordable / in demand; hence sandals are a good seller 	Business is not meeting the orders (3 600 not supplied (15 000 – 11 400) / Not enough stock on hand to meet orders / may run out of stock / Loss of revenue of R1 728 000 (could have a negative impact on liquidity.

6

4.2 FIXED ASSETS**4.2.1 List THREE points for good internal control over movable fixed assets.**

Any THREE valid points ✓ ✓ ✓

Accept short, specific statements; do not accept general statements e.g. "good management" or "division of duties"

- Maintain an updated fixed asset register / depreciation / carrying value / condition
- Regular physical inspection / count the items / identification tags (barcodes)
- Service and maintenance plans, and ensure that this is done regularly
- Insurance plan to cover loss / damage / accidents
- Keep a log book and mileage / install tracking devices
- Note drivers / users in a register / authorisation for use / record of time in/out.
- Only trained personnel to use technical equipment
- Cameras to monitor use of equipment
- Secure premises for storage / locked garage / alarm system in premises

3

4.2.2 Calculate: Cost of land and buildings purchased on 31 August 2020

WORKINGS	ANSWER
$6\,250\,000 - 5\,500\,000$ $R750\,000 \checkmark - 60\,000 \checkmark$	R690 000 ✓

3

4.2.3 Calculate: Depreciation on vehicle for year ended 28 February 2021

WORKINGS	ANSWER
$R480\,000 \times 25\% = R120\,000; \text{ but carrying value is } R30\,000$	R30 000 – R1
Maximum permitted: R30 000	R29 999 ✓✓

2

Be alert to other valid alternative presentations for calculations

6

Accept alternative expressions e.g. 0.3; 30/100; $\frac{1}{4}$; 25%; 0.25 as one part correct

2

Choose and mark ONE option consistently

* 30% is not “one part correct”

2 100 000 – 1 440 000 – 224 000 436 000 four marks x 30%*

* 30% is not “one part correct”

$$(320\,000 - 96\,000) \times 30\% = (67\,200) \text{ one mark} + \text{one m.mark}$$

* 30% is not “one part correct”

$$[320\,000 - (146\,400 - 50\,400)] \times 30\% = (67\,200) \text{ one mark + one m.mark}$$

5

- Historical cost rule: should be shown at their original cost price / Prudence: to be conservative in reflecting assets on financial statements
- Profit can be recognised / realised on disposal
- Unethical to manipulate figures in the financial statements / inflated value
- CEO's opinion does not seem to be based on clear evidence; needs evaluation / appraiser

2