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# basic education

Department:  
Basic Education  
**REPUBLIC OF SOUTH AFRICA**

## NATIONAL SENIOR CERTIFICATE

GRADE 12

### ACCOUNTING FEBRUARY/MARCH 2017 MEMORANDUM

**MARKS: 300**

#### MARKING PRINCIPLES:

1. 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 the reasonableness of the answer and at least one part must be correct before awarding the mark.
10. Operation means 'Check operation'. 'One part correct' means 'Operation & one part correct'.  
Note: Check operation means must be +, -, x, or  $\div$  per memo, but some items can be + or – such as prov for bad debts adj.
11. In awarding method marks, ensure that candidates do not get full marks for any item that is incorrect at least in part. Indicate by way of
12. Be aware of candidates who provide valid alternatives beyond the marking guideline.
13. Codes: f = foreign item; p = placement/presentation.

**This memorandum consists of 16 pages.**

**QUESTION 1****1.1 CONCEPTS**

1.1.1	B	✓
1.1.2	A	✓
1.1.3	D	✓

3

**1.2 VALUE-ADDED TAX (VAT)****1.2.1 Calculate the amount of VAT either receivable from or payable to SARS on 31 July 2016.**

$$16\,800 \checkmark - 189\,000 \checkmark\checkmark + 115\,500 \checkmark\checkmark - 1\,120 \checkmark + 840 \checkmark$$

$$= -56\,980 \checkmark \text{ One part correct}$$

**OR**

$$-16\,800 + 189\,000 - 115\,500 + 1\,120 - 840 = 56\,980$$

VAT CONTROL	
16 800	189 000
115 500	*1 120
*840	
56 980	
*Can be on opposite sides in brackets NB: Columns can be reversed. Apply one method consistently.	

Receivable/Payable: Payable ✓

9

**1.2.2 The owner wants to change the VAT amount on bad debts from R840 to R4 200. Give ONE reason why you would disagree with him.**

Any valid reason ✓✓

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

2

**1.3 BANK RECONCILIATION**

**1.3.1 Calculate the correct balance of the Bank Account in the General Ledger on 31 July 2016.**

<b>Provisional Bank balance</b>	<b>R16 785</b>
Cheque No. 186	+ 450 ✓
Interest income	+ 285 ✓
Bank charges	– 950 ✓
Correction Cheque No. 374	– 3 600 ✓✓
Theft of cash	– 37 800 ✓
<b>Correct Bank balance</b>	<b>– 24 830</b> ✓
	One part correct

Accept alternative presentations such as Bank account or Receipts and Payment columns

-1 Foreign items, max -2 if mark is earned in BRS

**Favourable/Unfavourable:** Unfavourable  See calculation above

<b>8</b>

**1.3.2 Bank Reconciliation Statement as at 31 July 2016**

	Alternative	DEBIT	CREDIT
Balance as per bank statement <small>Balancing figure</small>	(26 960)	26 960 ✓	
Outstanding deposit	27 180		27 180 ✓
Outstanding cheques:			
No. 305	(8 400)	8 400 ✓	
No. 401	(18 600)	18 600 ✓	
Debit order erroneously debited	1 950		1 950 ✓
Balance as per bank account <small>See 1.3.1</small>	(24 830)		24 830 ✓
<small>-1 Foreign items, max -2 if marked is earned in bank calculation above</small>		53 960	53 960

<b>6</b>

**1.3.3 Explain ONE internal control measure that the business should implement to ensure that this does not happen in the future.**

Any valid internal control measure ✓✓ two or zero marks (no part marks)

Possible responses for two marks:

- Follow up on unpaid cheques and cancel if a problem exists – this may prevent cheques being fraudulently cashed.
- Ensure that the correct address is used when cheques are posted – follow up on payee to verify that it was received.
- Minimise the use of cheques by encouraging the use of EFTs and Internet banking.

<b>2</b>

<b>TOTAL MARKS</b>
<b>30</b>

**QUESTION 2****2.1 CONCEPTS**

<b>2.1.1</b>	Specific identification ✓
<b>2.1.2</b>	First In First Out/FIFO ✓
<b>2.1.3</b>	Weighted Average ✓
	Accept abbreviations if understandable

3

**2.2.1 Calculate the unit price of cricket bats on 1 July 2015.**

$$420\,000 / 350 = R1\,200 \checkmark\checkmark$$

2

**2.2.2 Calculate the value of the stock on hand on 30 June 2016 using the weighted-average method.**

Net purchases = R 4 272 000 three marks

Purchases with carriage = R4 412 900 two marks

Net purchases with carriage = R4 382 400 four marks

$$\frac{R420\,000\checkmark + R4\,302\,500\checkmark + R110\,400\checkmark - R30\,500\checkmark\checkmark}{350\checkmark + 3\,150\checkmark - 20\checkmark} \times \frac{465\checkmark}{1} = R641\,700 \checkmark$$

One part correct

3 500 two marks  
3 130 two marks

**NB: Do not accept any other permutations to calculation above.**

4 802 400 five marks

3 480 three marks

eight marks one mark one method mark

$$1\,380 \times 465 = R641\,700$$

10

**2.2.3 Calculate the gross profit on 30 June 2016.**

$$4\,802\,400 \checkmark - 641\,700 \checkmark = 4\,160\,700 \checkmark \text{ One part correct}$$

three marks

$$5\,400\,000\checkmark - 4\,160\,700 = R1\,239\,300\checkmark \text{ One part correct}$$

OR

$$5\,400\,000 - 4\,802\,400 - 641\,700 = R1\,239\,300$$

one mark    one method mark    one method mark    two method marks

5

**2.2.4 Calculate how long (in days) it is expected to sell the closing stock of 465 cricket bats. Use the closing stock in your calculation.**

See 2.2.2 One part correct

$$\frac{641\,700 \checkmark}{4\,160\,700 \checkmark} \times \frac{365 \checkmark}{1} = 56,3 \text{ days } \checkmark$$

See 2.2.3

**OR: IF UNITS ARE USED**

one mark    one mark    one mark    one method mark

$$465 \text{ / } 3\,000 \times 365 = 56,6 \text{ days}$$

3 480 - 480

4

**2.2.5 Provide a calculation to support André's concern about the control of cricket bats.**

3 480  $\checkmark$  One part correct

$$(350 + 3\,150 - 20) - 3\,000 \checkmark - 465 \checkmark = 15 \text{ missing } \checkmark \text{ One part correct}$$

**How can André solve this problem? Explain ONE point.**

Expected responses for 2 marks:  $\checkmark\checkmark$

- Count stock regularly/randomly and check against stock records
- Order smaller quantities, but more frequently
- Improve physical security e.g. controls at entrance/security cameras
- Restrict access to the storeroom

Expected responses for 1 mark:

Stock count / Security cameras

7

**2.3 Identify ONE problem relating to each branch. Quote figures to support your answer. In each case, offer Bennie advice.**

BRANCH	Problem Figures <span style="float: right;"><math>\checkmark\checkmark\checkmark</math> <math>\checkmark\checkmark\checkmark</math></span>	Advice <span style="float: right;"><math>\checkmark\checkmark\checkmark</math></span>
<b>Parys</b>	Stock piling 75% (330/440) on hand / Mark-up percentage of 80% too high% / Sales are only 25% (110/440) of the stock	Decrease mark-up % / Reduce selling price / Sales promotions / order stock as required
<b>Pretoria</b>	Missing cash of R120 000 (1 800 000 – 1 680 000)	Check the money before banking. Division of duties.
<b>Pofadder</b>	Poor stock control – 400 orders and only 280 in stock (120 more could have been sold) / Not enough stock to meet demand (400 orders and only 280 in stock) / No stock on hand (poor planning)	Purchase more stock / Take stock from Parys Mall

9

<b>TOTAL MARKS</b>
<b>40</b>

## QUESTION 3

3.1 GANDHI LTD  
INCOME STATEMENT FOR THE YEAR ENDED 28 FEBRUARY 2017

	<b>Sales</b>	COS + GP	8 400 000	✓✓
	<b>Cost of sales</b>	Sales - GP	(5 250 000)	✓✓
	<b>Gross profit</b>		<b>3 150 000</b>	
	<b>Other income</b>	Operation	84 000	✓
	<b>Commission income</b>		<b>12 000</b>	
	Rent income (61 900 ✓ + 10 100 ✓✓) 7 400 one mark + 2 700 one mark	One part correct	72 000	✓
10	<b>Gross income</b>	Operation	3 234 000	✓
	<b>Operating expenses</b>	GI - OP	(2 016 000)	✓
	<b>Salaries and wages</b>		<b>824 000</b>	
	<b>Depreciation</b>		<b>216 500</b>	
	<b>Sundry expenses</b>	balancing figure	283 000	✓
	Directors fees (605 500 ✓ + 17 300 ✓✓) OR (605 500 x <sup>36</sup> / <sub>35</sub> )	One mark two marks / 0 one part correct	622 800	✓
	Audit fees (29 000 ✓ + 14 500 ✓) OR (29 000 x <sup>3</sup> / <sub>2</sub> )	one part correct	43 500	✓
	Trading stock deficit		24 200	✓✓
13	Provision for bad debts adjustment		2 000	✓✓
	<b>Operating profit</b>	14,5% of sales	1 218 000	✓✓
	<b>Interest income</b>	NP before interest expense - OP	75 500	✓
	<b>Net profit before interest expense</b>	operation NP before tax + interest expense	1 293 500	✓
	<b>Interest expense</b>		(53 500)	✓✓
	<b>Net profit before tax</b>	Income tax + NP after tax	1 240 000	✓✓
	<b>Income tax</b>		<b>(396 800)</b>	
10	<b>Net profit after tax</b>	Income tax must be subtracted	843 200	✓✓

33

Foreign items -1 (max -2)

**3.2.1 ORDINARY SHARE CAPITAL****AUTHORISED SHARE CAPITAL****1 200 000 ordinary shares****ISSUED SHARE CAPITAL**

1 020 000 ✓	<b>Ordinary shares on 1 March 2016</b>	<b>3 084 000</b>	
180 000 ✓ <input checked="" type="checkbox"/>	Shares issued during the year	756 000	✓
(250 000) ✓	Shares repurchased (ASP: R3,20 ✓✓) Ignore brackets on this line; mark absolute figures only	(800 000) One part correct	<input checked="" type="checkbox"/>
950 000 <input checked="" type="checkbox"/> One part correct	Shares on 28 February 2017 Operation one part correct; Repurchase deducted and issued added	3 040 000	<input checked="" type="checkbox"/>

**10****3.2.2 RETAINED INCOME**

<b>Balance on 1 March 2016</b>	<b>674 500</b>	
Funds used for share buyback (250 000 ✓ x 0,95 <input checked="" type="checkbox"/> 4,15 – 3.20 (ASP) One part correct	(237 500) One part correct	<input checked="" type="checkbox"/>
Net profit after tax See 3.1	843 200	<input checked="" type="checkbox"/>
<b>Ordinary share dividends</b> Operation, one part correct	(720 000)	<input checked="" type="checkbox"/>
• Interim dividends	420 000	✓
• Final dividends (1 200 000 ✓ x 25 cents ✓)	300 000 One part correct	<input checked="" type="checkbox"/>
<b>Balance on 28 February 2017</b> Operation, one part correct	560 200	<input checked="" type="checkbox"/>

**10****3.3 EQUITY AND LIABILITIES SECTION OF THE BALANCE SHEET**

<b>SHAREHOLDERS' EQUITY</b> Operation	3 600 200	<input checked="" type="checkbox"/>
Ordinary share capital See 3.2.1	3 040 000	<input checked="" type="checkbox"/>
Retained income See 3.2.2	560 200	<input checked="" type="checkbox"/>
<b>NON-CURRENT LIABILITIES</b>	389 600	
Loan: Anca Bank (487 000 ✓ – 97 400 ✓) OR (487 000 X 80%) One mark one mark One part correct	389 600	<input checked="" type="checkbox"/>
<b>CURRENT LIABILITIES</b> Operation, one part correct	861 200	<input checked="" type="checkbox"/>
Trade and other payables (395 200 ✓ + 17 300 <input checked="" type="checkbox"/> + 14 500 <input checked="" type="checkbox"/> Directors' fees Audit Fees One part correct	427 000	<input checked="" type="checkbox"/>
Shareholders for dividends Can be part of T&OP See 3.2.2	300 000	<input checked="" type="checkbox"/>
SARS: income (396 800 – 360 000) Can be part of T&OP One part correct	36 800	✓ <input checked="" type="checkbox"/>
Short term loan Can be part of T&OP See NCL above	97 400	<input checked="" type="checkbox"/>
<b>TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES</b> Operation, one part correct	4 851 000	<input checked="" type="checkbox"/>

**16**



3.4.1

**Calculate B Sly's percentage shareholding in the company before and after the share buyback.**

**Before the buyback:**

$$480\,000 / 1\,200\,000 \times 100\% = 40\% \checkmark\checkmark$$

**After the buyback:**

$$480\,000 / 950\,000 \times 100\% = 50,5\% \checkmark\checkmark \quad \text{Accept 51\%}$$

4

3.4.2

**Explain why the other shareholders will be concerned about this transaction.**

Any valid explanation  $\checkmark\checkmark$

Possible responses for two marks:

- After the share buyback she is now the majority shareholder.
- She can have her say in influential decisions and appointments of directors.
- It is unethical for her to have this influence over the CEO.

Possible responses for one mark:

- Unethical
- Majority shareholder
- Insider trading
- Not good corporate governance / lack of transparency
- Self-enrichment

2

<b>TOTAL MARKS</b>
<b>75</b>

**QUESTION 4****4.1 CONCEPTS**

4.1.1	Outflow of cash	✓
4.1.2	Working capital	✓ Accept net working capital
4.1.3	Depreciation	✓
4.1.4	Inflow of cash	✓

4
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**4.2 BRAZILIA LTD****4.2.1 State ONE purpose of a Cash Flow Statement.**

One valid explanation ✓✓ **Award part marks for partial/incomplete answers**

- It provides users of financial statements with information regarding the inflow and outflow of the cash resources of the company.
- It explains the reasons for the change in the bank balance.
- It shows the breakdown of the flow of cash in terms of operating, investing and financing activities.

2
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**4.2.2 CASH FLOW STATEMENT FOR THE YEAR ENDED 31 OCTOBER 2016**

	<b>CASH FLOW FROM OPERATING ACTIVITIES</b> <b>Operation</b>	749 950	✓
	<b>Cash generated from operations</b>	<b>2 844 200</b>	
	<b>Interest paid</b>	<b>(336 000)</b>	
	**Taxation paid (41 750 ✓ + 560 000 ✓ + 28 500 ✓) OR (– 41 750 – 5 60 000 – 28 500)	(630 250)	✓#
8	**Dividends paid (595 000 ✓ + 533 000 ✓) OR (– 595 000 – 533 000) One mark                      one mark OR 595 000 + (1 189 000 – 656 000)	(1 128 000)	✓#
	<b>CASH FLOW FROM INVESTING ACTIVITIES</b> <b>Operation</b>	(1 077 000)	✓
	<b>Fixed assets purchased</b>	<b>(1 360 000)</b>	
6	**Proceeds from the sale of fixed assets (10 041 000 ✓ – 1 360 000 ✓ + 154 000 ✓ – 8 878 000 ✓)	43 000	✓#
	<b>Change in fixed deposit</b>	<b>240 000</b>	
	<b>CASH FLOW FROM FINANCING ACTIVITIES</b> <b>Operation</b>	852 000	✓
	**Proceeds from the sale of shares (7 280 000 ✓ + 182 000 ✓ – 5 950 000 ✓)	1 512 000	✓#
	**Shares repurchased (20 000 ✓ x R15,50 ✓)	(310 000)	✓#
10	**Change in loans <b>-1 for no brackets</b>	(350 000)	✓✓
	<b>NET CHANGE IN CASH AND CASH EQUIVALENTS</b> <b>Operation</b>	524 950	✓
	<b>CASH AND CASH EQUIVALENTS AT BEGINNING</b> (3 000 – 348 450) <b>-1 for no brackets</b>	(345 450)	✓✓
3	<b>CASH AND CASH EQUIVALENTS AT END</b>	<b>179 500</b>	

27
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\*\* Award marks to workings if item misplaced; -1 for placement; no max  
# One part correct and answer must indicate inflow/outflow

## 4.2.3

**Calculate the acid-test ratio.**

One mark    one mark  
 (1 186 000 – 451 600)  

$$\frac{735\,000}{1\,236\,000} = 0,6$$
 ✓✓ : 1 236 000 ✓  
 = 0,6 : 1 ✓ One part correct, must be x : 1 Accept 0,59 : 1

4

**Calculate the % return on average shareholders' equity (ROSHE).**

$$\frac{1\,378\,600}{7\,605\,800} \times 100 = 18,1\%$$

✓ x 100 ✓✓ 1  
 = 18,1% ✓ One part correct

4

**Calculate the earnings per share (EPS).**

$$\frac{1\,378\,600}{820\,000} = 168,1 \text{ cents}$$

✓ x 100 ✓ 1  
 = 168,1 cents ✓ One part correct

3

## 4.3 GRAYSON LTD AND JONI LTD

## 4.3.1

**Which company is NOT handling its working capital effectively?**

Joni Ltd ✓

**Explain what the main problem is in respect of their working capital, by quoting TWO financial indicators.**

Explanation ✓✓ No part marks

There is an over-investment in their inventories / stock piling / too much cash tied up in stock

TWO financial indicators ✓ ✓ Figures ✓ ✓

- Current ratio: Grayson Ltd (1,65 : 1) and Joni Ltd (4,40 : 1):
- Stock holding period: Grayson Ltd (38 days) and Joni Ltd (184 days)
- Difference between current ratio and acid test ratio  
 Grayson Ltd (0,45 : 1) and Joni Ltd (3,55 : 1)

Acid test on its own is not valid

Not necessary to compare companies. Can award marks for indicators and figures if company and explanation above is incorrect.

7

**4.3.2** The companies have made different decisions regarding the use of loans. Comment on the degree of risk and financial gearing. Give ONE financial indicator in EACH case for EACH company.

	<b>DEGREE OF RISK</b> Financial indicator with figures ✓ ✓	<b>FINANCIAL GEARING</b> Financial indicator with figures ✓ ✓
<b>Grayson Ltd</b>	<b>Financial indicator:</b> Debt equity 0,85 : 1	<b>Financial indicator:</b> ROTCE 27%
<b>Joni Ltd</b>	<b>Financial indicator:</b> Debt equity 0,1 : 1	<b>Financial indicator:</b> ROTCE 4%
<b>Comment</b>  Compare D/E for each company ✓ Compare ROTCE to interest rate ✓✓	Although Grayson Ltd has a higher risk than Joni Ltd, Grayson Ltd is positively geared since the ROTCE of (27%) exceeds the interest rate on loans of (14%). OR Joni Ltd has low risk but is negatively geared since the ROTCE of (4%) is much lower than the interest rate on loans of (14%).	

7
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**4.3.3** The dividend policy used by each company has been maintained for the past four years. Explain the policy used by EACH company. Provide figures to support your explanation in EACH case.

	<b>EXPLANATION (with figures)</b>
<b>Grayson Ltd</b> Explanation ✓✓ Award part marks for incomplete explanations  Figure ✓	Grayson Ltd has a very high dividend pay-out policy (98% or 528 out of 540 cents) as they would want to keep the shareholders satisfied. Encourages them to remain as shareholders of the company.
<b>Joni Ltd</b> Explanation ✓✓ Award part marks for incomplete explanations  Figure ✓	Joni Ltd has a lower dividend pay-out policy (40% or 292 out of 730 cents) so that they can use retained income for expansion purposes/equalisation of dividends. The shareholders should benefit in the future.

6
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**4.3.4 Should EACH company be satisfied with its share price on the JSE? Explain. Provide figures.**

	<b>EXPLANATION (with figures)</b>
<b>Grayson Ltd</b> No ✓ Explanation ✓ Figures ✓ (must include MP & NAV)	No The market price of the shares of Grayson Ltd (875 cents) is lower than the NAV (1 200 cents).
<b>Joni Ltd</b> Yes ✓ Explanation ✓ Figures ✓ (must include MP & NAV)	Yes The market price of the shares of Joni Ltd (763 cents) is greater than the NAV (425 cents).

6
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<b>TOTAL MARKS</b>
70

**QUESTION 5**

**5.1 MOSES MANUFACTURERS**

**5.1.1 PRODUCTION COST STATEMENT ON 30 APRIL 2016**

<b>Direct labour cost</b>		<b>716 960</b>	
Direct material cost	37 600 + 555 000 – 21 000 – 58 560	513 040	<input checked="" type="checkbox"/>
		Operation	
<b>Prime cost</b>	DMC + DLC	1 230 000	<input checked="" type="checkbox"/>
Factory overhead cost (468 450 ✓ + 13 650 ✓✓ - 12 100* ✓✓)		470 000	<input checked="" type="checkbox"/>
<b>Total manufacturing cost</b>	Operation	1 700 000	<input checked="" type="checkbox"/>
<b>Work-in-process (1 May 2015)</b>		<b>142 000</b>	
		1 842 000	
Work-in-process (30 April 2016)	Operation	(87 000)	<input checked="" type="checkbox"/>
<b>Cost of production of finished goods</b>	(39 000 x R45)	1 755 000	<input checked="" type="checkbox"/>

<b>16</b>
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-1 foreign items; max -2

**5.1.2 Complete the abridged (shortened) Income Statement to calculate the net profit for the year ended 30 April 2016.**

<b>Gross profit</b>		<b>1 250 000</b>	
Selling and distribution cost	(609 850 ✓ + 4 840 <input checked="" type="checkbox"/> * if adds to figure above)	<input checked="" type="checkbox"/> (614 690)	<input checked="" type="checkbox"/>
	(36 300 x 8/60)	One part correct	Ignore brackets, mark figure only
Administration cost	(443 950 ✓ – 13 650 <input checked="" type="checkbox"/> See 5.1.1 + 7 260 <input checked="" type="checkbox"/> * if adds to figure above)	<input checked="" type="checkbox"/> (437 560)	<input checked="" type="checkbox"/>
	(36 300 x 12/60)	One part correct	Ignore brackets, mark figure only
<b>Net profit</b>	Operation, S&DB and Admin costs must be subtracted	<input checked="" type="checkbox"/> 197 750	<input checked="" type="checkbox"/>

<b>8</b>
----------

-1 foreign items; max -2

**5.2 UNIT COSTS AND BREAK-EVEN ANALYSIS****5.2.1 Explain the difference between *fixed cost* and *variable cost*.**Any valid explanation ✓✓ **Two or zero marks. No part marks**

Fixed costs remain the same irrespective of the number of items manufactured.

Variable costs vary in direct proportion to the number of items manufactured.

2

**5.2.2 Calculate the break-even point for 2017.**

80 000 one mark x 5,40 one mark

432 000 ✓✓

R17,80 ✓ – 11,60 ✓

R6,20 two marks

= 69 678 units  (accept 69 677) **One part correct****NB: The word units not necessary but do not accept if R**

5

**5.2.3 Comment on the break-even point and the level of production for 2016 and 2017. Explain why the owner should be satisfied or not.**

- In 2016 the break-even point was 65 000 ✓ units and they produced 65 000 ✓ units. The business broke even. ✓
- In 2017 the break-even point was 69 678/ 69 677  units and they produced 80 000 ✓ units. The business made a profit on 10 322/10 323 units.

**See 5.2.2.**

6

**5.2.4 Identify the variable cost that should be of great concern to the owner. Explain and provide a calculation to support your answer.**

Direct labour cost ✓

Figures ✓

Explanation ✓✓ **No part marks**

Direct labour cost increased from R3,50 to R4,05 / by 55 cents / by 15,7%

Explanation: DLC increased by more than the inflation or by more than DMC

4

**5.2.5 Despite the fact that there was a decrease in the fixed costs per unit, the owner is still not satisfied with his control over the fixed costs. Explain and provide calculation(s) to support his opinion.**Fixed costs in 2017 = R432 000  **See 5.2.2**

Fixed costs in 2016 = R65 000 x R5,50 = R357 500 ✓✓

Fixed costs increased by R74 500, i.e. 21% or 20,8%✓

4

**TOTAL MARKS****45**

**QUESTION 6**

6.1

**Calculate the expected monthly percentage of goods sold on credit.**

$$\frac{70\,000 \checkmark}{70\,000 \checkmark + 17\,500 \checkmark} \times \frac{100}{87\,500 \text{ two marks}} = 80\% \checkmark \text{ one part correct}$$

OR  $64\,000 / 64\,000 + 16\,000 \times 100 = 80\%$

4

6.2

**Complete the Debtors Collection Schedule for March 2017**

MONTH	CREDIT SALE	FEBRUARY	MARCH
December 2016	74 000	16 280	0
January 2017	68 000	27 200	14 960 ✓
February 2017	70 000	24 010	28 000 ✓
March 2017	64 000		21 952 ✓✓
Cash from debtors		67 490	64 912 ✓

One part correct

5

6.3.1

**Explain why the owner is concerned. Give TWO reasons with supporting figures.**

Explanation ✓ ✓ Figures ✓ ✓

Expected responses:

- Actual amount collected from debtors in February (R43 870) is less than the budgeted amount of (R67 490) or by (R23 620)
- Credit terms are 30 days but records show that 52% of debtors take 60 days or more to pay/Only 48% are meeting the credit terms.

4

6.3.2

**Suggest ONE solution for this problem.**

Expected responses ✓✓ Part marks can be awarded for partial answers

- Offer discounts to encourage early/prompt payments
- Charge interest on overdue accounts
- Proper screening of debtors to ensure debtors is able to pay their debts promptly.
- Send regular reminders

2

6.4.1

		WORKINGS	ANSWER
(a)	Payment to creditors	$(70\,000 + 17\,500) / 87\,500 \checkmark \checkmark \times 100/125 \checkmark = 70\,000 \checkmark \times 95\% \checkmark$ OR $87\,500 \times 100/125 = 70\,000 - 3\,500$ OR $87\,500 \times 0,8 = 70\,000 - 3\,500$	66 500 ✓ one part correct
(b)	Salaries of sales assistants	$20\,800 \checkmark \times 107,5\% \checkmark = 22\,360 \checkmark + 5\,200 \checkmark$ OR Two marks one method mark one mark $5\,590 \times 4 = 22\,360 + 5\,200 \checkmark$	27 560 ✓ one part correct

6

5



**6.4.2 Calculate the percentage increase in rent on 1 March 2017.**

(12 544 – 11 200) **Two marks / zero**  
 $\frac{1\ 344}{11\ 200} \times 100 = 12\%$   **one part correct**

4

**6.4.3 The amount of the interest on investment expected to be received in March 2017.**

**Two marks or zero**  
     
 $16\ 830 \times 2 / 102 = R330$  **one part correct**  
 OR  
 One mark      two marks/0      one method mark  
 $16\ 830 - (16830 \div 1,02) = R330$

4

**6.5 Identify TWO payments that you consider to be poorly managed in February 2017. In EACH case, give a suggestion to improve the internal control of the items identified.**

<b>PAYMENT</b> ✓    ✓	<b>ADVICE</b> Relevant advice ✓✓ <b>(no part marks)</b> ✓✓
Advertising	The business must make use of the budgeted amount for advertising to influence sales
Stationery	The business should minimise wastage/theft and use stationery effectively.
Drawings	Stick to the budget or amend the budget to accommodate the increase in drawings.
Maintenance of office equipment	Equipment must be maintained properly to prevent it from breaking down.

6

<b>TOTAL MARKS</b>
40

**TOTAL: 300**