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# basic education

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

## **SENIOR CERTIFICATE EXAMINATIONS/ NATIONAL SENIOR CERTIFICATE EXAMINATIONS**

### **ACCOUNTING**

**2019**

### **MARKING GUIDELINES**

**MARKS: 300**

#### **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 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 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.
14. Codes: f = foreign item; p = placement/presentation.

**These marking guidelines consist of 15 pages.**

## QUESTION 1

## 1.1

<b>1.1.1</b>	True	✓
<b>1.1.2</b>	True	✓
<b>1.1.3</b>	False	✓
<b>1.1.4</b>	True	✓

4

## 1.2

**Calculate the amount receivable from or payable to SARS for VAT on 30 April 2019.**

Mark one line only. Cannot mix signs. Inspect candidates' responses. Award highest mark.

✓ ✓ ✓ ✓✓ ✓✓ ✓✓ ☒ One part correct

$15\,890 - 1\,470 + 3\,075 - 1\,305 - 33\,600 + 51\,750 = 34\,340$

224 000 x 15%

**OR**

$$-15\,890 + 1\,470 - 3\,075 + 1\,305 + 33\,600 - 51\,750 = -34\,340$$

Mark one "account"/workings only. Inspect candidates' responses. Award highest mark.

Items marked \* may be shown on the opposite side in brackets.

VAT CONTROL	
33 600	15 890
*1 305	51 750
*1 470	*3 075
<b>34 340</b>	
70 715	70 715

VAT CONTROL	
15 890	33 600
51 750	*1 305
*3 075	*1 470
	<b>34 340</b>
70 715	70 715

**Receivable/Payable: Payable** ✓ Do not accept Receivable (irrespective of workings)

11

**1.3 BANK RECONCILIATION****1.3.1 Calculate the correct Bank Account balance on 31 May 2019.**

<b>Provisional Bank balance</b>	<b>R19 400</b>
Cheque 654	+ 2 350 ✓
Theft of cash	– 31 560 ✓✓
Bank charges	– 1 060 ✓
Interest income	+313 ✓
Correction EFT two marks or 0	+ 900 ✓✓ 6 578-5 678
<b>Correct Bank balance</b>	<b>– 9 657 ✓</b> <b>One part correct</b>

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

**CRJ:**  
2 350 + 313 + 900 = 3 563

**CPJ:**  
31 560 + 1 060 = 32 620

**Bank Balance**  
19 400 + 3 563 – 32 620  
= (9 657)

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

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

9

**1.3.2 Bank Reconciliation Statement on 31 May 2019**

If candidates use 1-column method and start with Bank ledger account, +ve and -ve signs will be reversed.

	<b>Alternative</b>	<b>DEBIT</b>	<b>CREDIT</b>
Balance as per Bank Statement	(2 700)	2 700 <input checked="" type="checkbox"/> Balancing figure	
Outstanding deposit	21 343		21 343 ✓
Outstanding cheques:			
705	(9 450)	9 450 ✓	
797	(14 350)	14 350 ✓	
Debit deposit erroneously credit	(4 500)	4 500 ✓✓	
Balance as per bank account	(9 657)		9 657 <input checked="" type="checkbox"/> See 1.3.1
-1 Foreign items, max -2 if mark is earned in bank calculation above		31 000	31 000

7

**1.3.3 State TWO internal control measures that the business can use to ensure that this will not happen in the future.**

Possible responses for two marks: ✓✓ ✓✓ Part marks for partially correct answer

- Encourage debtors to use EFTs and internet banking.
- Get other people to handle matters concerning cash (Division / Rotation of duties) also for two marks
- SMS notifications from the bank for all transactions.
- Use security companies to collect/transit the money
- Check deposits daily / Check deposits to receipts

4

**TOTAL MARKS****35**

## QUESTION 2

2.1

2.1.1	FIFO ✓
2.1.2	Perpetual ✓
2.1.3	Expense ✓

3

## 2.2 PHOTO-FIX TRADERS

2.2.1 Calculate:

<b>Value of closing stock of cameras</b>	
$  \begin{array}{cccc}  435\,500 & & & 145\,000 \\  (6 \times 5\,500) & (70 \times 5\,750) & (10 \times R4\,000) & (25 \times 4\,200) \\  33\,000 & + 402\,500 & + 40\,000 & + 105\,000 \\  \checkmark\checkmark & \checkmark\checkmark & \checkmark\checkmark & \checkmark\checkmark \\  = 580\,500 \quad \checkmark \text{ one part correct}  \end{array}  $	<b>OR: Using COS to calculate stock</b> $  \begin{array}{ccccccc}  \text{one mark} & & \text{one mark} & & \text{one mark} & & \\  110\,000 & + & 1\,104\,000 & + & 1\,380\,000 & - & 2\,013\,500 \\  & & & & (77\,000 + 977\,500 + 560\,000 + 399\,000) & & \\  & & & & \text{two marks} & \text{one mark} & \text{one mark} & \text{one mark} \\  = 580\,500 & & & & & & & \text{method mark}  \end{array}  $

9

2.2.2

<b>Value of closing stock of photo frames</b>	
$  \begin{array}{l}  115\,200 \text{ two marks} \\  110\,700 \text{ three marks} \\  7\,200 \checkmark + 108\,000 \checkmark - 4\,500 \checkmark \times 80 \checkmark = 11\,808 \checkmark \text{ one part correct if multiplied by 80} \\  60 \checkmark + 720 \checkmark - 30 \checkmark \\  750 \text{ three marks} \\  R147,60 \text{ six marks}  \end{array}  $	

8

2.2.3

<b>The owner suspects that photo frames are being stolen. Provide a calculation to confirm his suspicions.</b>	
$  \begin{array}{ccc}  93 \text{ three marks} \\  \checkmark\checkmark & \checkmark & \checkmark \\  750 & - 657 & - 80 \\  (60 + 720 - 30) & & \\  \text{one mark if incorrect but 60, 720 or -30 is shown}  \end{array}  $	$= 13 \quad \checkmark \text{ one part correct}$

5

## 2.2.4

Tom is thinking of employing an assistant at a wage of R3 500 per month to control the stock of photo frames. Explain why this is NOT a good idea. Provide TWO points with figures/calculations.

Note: Explanation could differ depending on figures calculated above in 2.2.2 and 2.2.3

	Explanation ✓ ✓	Figures ✓✓ ✓✓
Point 1	It is not worthwhile to employ the assistant <b>OR</b> Wages greatly exceed the cost of the missing units	Wages one mark R42 000 p a / R 3 500 pm  Cost of units missing: one mark 13 x R147,60 = R1 918,80 see 2.2.2 / 2.2.3 above (could use unit cost price)
Point 2	Missing items are relatively insignificant <b>OR</b> Units missing are a very small % of units available	Units missing = 13 one mark see 2.2.3 above Units available = 750 one mark see 2.2.2 above % missing = Less than 2% two marks <b>OR:</b> Units sold p.a. = 657 one mark Units sold per day = 1,8 or 2 one mark

6

## 2.3

## MANAGEMENT OF INVENTORIES

Product	Problem Problem ✓ ✓ ✓ Figures ✓ ✓ ✓	Solution ✓ ✓ ✓
Cupboards	High returns, 500 <b>or</b> 500 / 1 800 (27,7%) <b>or</b> 1 000 cupboards missing	Possible change to new supplier Ensure high quality ordered Order as per customer specifications Check quality before accepting stock delivered Improve security
Tables	Missing money, R40 000 (510 000 – 470 000) <b>or</b> 20 tables missing  Credit sales much higher than cash sales (liquidity issues) 2 400 / 600 or 1 800 units more 2 400 / 3 000 (80%); 600 / 3 000 (20%)	Division of duties/ banking of money Improve physical security  Promote cash sales by providing incentives such as cash discount
Chairs	Slow selling item / too much stock on hand (1 300 and 2 950)  Purchases much higher than sales (6 000/4 350)	Change to a different type of chair. Advertise more to increase sales  Buy stock according to sales.  Reduce mark-up%

9

TOTAL MARKS

40

**QUESTION 3****3.1**

<b>3.1.1</b>	Indirect	✓
<b>3.1.2</b>	<u>Selling</u> and distribution	✓
<b>3.1.3</b>	Fixed	✓
<b>3.1.4</b>	<u>Direct</u> material	✓

4

**3.2.1**

**Calculate: The value of the closing stock using the first-in-first-out stock valuation method**

$$\begin{array}{rcl}
 930 & \times & 90 \\
 265 \checkmark & \times & 80 \checkmark \\
 1\,195 - 930 & & 
 \end{array}
 = 83\,700 \checkmark$$

$$= \underline{21\,200} \checkmark^* \quad 104\,900 \checkmark^* \text{ one part correct}$$

three marks

5

**Calculate: Direct material cost**

$$\begin{array}{rcl}
 (390\,000 + 198\,400 + 83\,700) & \text{one mark} & \\
 59\,800 & + & 672\,100 \\
 \checkmark & & \checkmark
 \end{array}
 - 104\,900 = 627\,000$$

☒ see above    ☒ one part correct

4

**3.2.2**

**Factory overhead cost**

<b>TOTAL b/f</b>	<b>84 330</b>	
Insurance (31 200 x 60%)	18 720	✓ <input checked="" type="checkbox"/> *
Rent expense (114 000 x <sup>5</sup> / <sub>8</sub> )	71 250	✓ <input checked="" type="checkbox"/> *
Water and electricity (7 110 ✓ x <sup>50</sup> / <sub>15</sub> ✓) One mark for 474 / 3 555 as final answer	23 700	✓
	<b>198 000</b>	<input checked="" type="checkbox"/> *

\*one part correct

8

**3.2.3**

**Provide evidence (figures) to justify his concern. In each case, also give a possible reason for the increase in EACH unit cost, apart from normal inflation.**

<b>EVIDENCE</b> figure ✓ ✓	<b>REASON</b> ✓✓ ✓✓
<b>Total fixed cost per unit</b> Increased by R8 per unit (22%) (from R36 to R44)	Changes in economies of scale Fewer units produced  (Do NOT accept inflation.)
<b>Direct labour cost per unit</b> Increased by R12 per unit (32%) (from R38 to R50)	More overtime worked due to strikes Inefficiency / Poor supervision of workers / Surplus workers not gainfully employed / Hours lost due to load shedding  (Do NOT accept inflation.)

6

## 3.2.4

**Calculate the break-even point on 31 December 2018.**

R 264 000 ✓

300 ✓ – 165 ✓

135 two marks

= 1 956 or 1 955 or 1 955,6 units ✓ one part correct

4

**Explain whether or not there was any improvement in the trends of the level of production and the break-even point from one year to the next. Quote figures.**

Comment on each ✓ ✓ figures ✓ ✓

Production decreased from 7 560 – 6 000 (1 560 units / 20,6%) two marks

The BEP decreased from 3 888 units to 1 956 units (1 932 / 49,7%) two marks

see above calculation

**OR:** for four marks

6 000 – 1 956

In 2018 production exceeds BEP by 4 044 units while in 2017 production exceeds BEP by 3 672 units

7 560 – 3 888

4

**The owner cannot understand why he is making a better profit this year. Explain how this happened. Provide TWO points. Quote figures.**

Comparing BEP to production ✓✓ figures ✓

Comparing selling price ✓ figure ✓

For three marks:

- The business is making a profit on more units this year (4 044 this year; 3 672 last year), 372 units more see BEP calc above

For two marks:

- The selling price per jacket increased from R220 to R300 (R80 more per jacket)

**OR:**

For two marks only if first bullet not provided:

- A decrease in BEP by 1 932 units see above

5

**TOTAL MARKS**

40



**QUESTION 4**

4.1

<b>4.1.1</b>	C ✓	Balance Sheet
<b>4.1.2</b>	D ✓	Income Statement
<b>4.1.3</b>	B ✓	Cash Flow Statement
<b>4.1.4</b>	A ✓	Audit Report

4

**4.2 AUDIT REPORT**

4.2.1

**Choose the correct word from those given in brackets.**

Unqualified ✓

**Give ONE reason.**

Any ONE valid reason ✓✓ Mark independent of answer above

It is a good/clean audit report

The words 'fairly present' indicates that there were no problems encountered by the auditors.

3

4.2.2

**Give ONE reason why the Companies Act requires public companies to be audited by an independent auditor.**

Any ONE valid reason ✓✓ part-mark for unclear or incomplete answer

- Unbiased view will be presented
- Separation between management and ownership
- Interest of the shareholders are safeguarded
- Business is working with money of shareholders
- To reduce / deter the possibility of fraud occurring

For one mark: Prevent / reduce fraud

2

4.2.3

**Newspaper reports have indicated that Kego and Murray Associates have been found guilty of misconduct in terms of audit work done at several large firms. Explain how this may influence shareholders of Everest Ltd. State TWO points.**Any TWO relevant points ✓✓ ✓✓ Future shareholders not relevant to this answer  
Question asks for influence on shareholders, not consequences for share prices etc.

The shareholders will not be able to rely on the audit report  
 The shareholders will not reappoint the auditors at the next AGM (will be fired)  
 The shareholders may demand a re-audit by another reputable firm  
 The shareholders may insist on legal action if audit was fraudulently done  
 Existing shareholders might want to offload / sell their shares  
 Existing shareholders will concerned over the value of their investment in the company.

4

## 4.3 MVVS LTD

Foreign entries –1 max -1

Placement -1 (if marks scored elsewhere) max –1

## 4.3.1 Statement of Comprehensive Income (Income Statement) for the year ended 31 March 2019

# Give method mark if R6 236 000

Sales (10 563 280✓ + 36 720✓)	10 600 000	✓*
Cost of sales (6 236 000 + 24 000 ✓✓)	(6 260 000)	✓*#
Gross profit Sales - COS 7	4 340 000	✓
Operating income operation	112 000	✓*
Rent income	99 500	
Bad debts recovered	7 800	✓✓
Provision for bad debts adjustment	1 600	✓✓
Profit on sale of asset	3 100	✓✓
Gross operating income GP + OI 8	4 452 000	✓
Operating expenses operation	(3 710 000)	✓*
Directors' fees	1 262 100	
Water and electricity	218 000	
Telephone	75 600	
Audit fees	104 000	
Sundry expenses	61 001	
Salaries and wages (1 280 000 ✓ + 9 100✓ + 3 900✓✓) 13 000 three marks	1 293 000	✓*
Employer's contributions	318 200	✓✓
Bad debts (22 300 ✓ + 8 000 ✓✓)	30 300	✓*
Consumable stores	49 800	✓✓
Insurance (79 500 ✓ – 38 250 ✓✓)	41 250	✓*
Depreciation (34 999 + 80 000 + 41 800) + (92 500 + 1 750) 156 799 three marks 94 250 two marks	251 049	✓*
Trading stock deficit (364 200 ✓ – 24 000✓ - 334 500✓) See COS above 28	5 700	✓*
Operating Profit GOI – OE	742 000	✓
Interest income balancing figure; cannot be 0; accept -ve based on workings	26 000	✓
Profit before interest expense NPBT + IE	768 000	✓
Interest expense (1 430 200 ✓ + 304 800 ✓ – 1 658 000✓)	(77 000)	✓*
Net profit before tax	691 000	
Income tax ignore brackets	(193 480)	✓✓
Net profit after tax must subtract income tax 10	497 520	✓

\*one part correct

## 4.3.2 NOTES TO THE BALANCE SHEET

## Fixed/Tangible Assets

(Brackets must be included, where applicable, to score marks)

	Land and buildings	Vehicles	Equipment
Carrying value at beginning of financial year	12 500 000	275 000	280 500
Cost	12 500 000	750 000	398 000
Accumulated depreciation	-	(475 000)	(117 500)
Movements			
Additions at cost	-	627 000 ✓	-
Disposals at carrying value	-	-	(6 500) ✓ ✓
Depreciation	-	See Inc Stmt (156 799) ✓	(94 250)
Carrying value at end of financial year	12 500 000		
Cost	12 500 000	1 377 000	370 000 ✓
Accumulated depreciation	-	(631 799) ✓ 475 000 + depr	(190 250) ✓ ✓

8

## Ordinary share capital

Authorised:		
8 000 000 shares		
Issued:		
1 200 000	shares in issue at beginning	4 800 000 ✓
(150 000)	shares re-purchased (ASP: R4.00 ✓)	(600 000) ✓
850 000	shares issued during year balancing figure if one item correct	5 100 000 ✓
1 900 000 ✓	shares in issue at end	9 300 000 ✓

6

## OR:

Issued:		Note: Candidates might not round off the ASP to nearest cent; this could lead to differences of approximately R710 to R790
1 200 000	shares in issue at beginning	4 800 000 ✓
850 000	shares issued during year balancing figure if one item correct	5 233 500 OR 5 235 000 ✓
(150 000)	shares re-purchased ASP: R4,89 ✓ ASP: R4,90	(733 500) OR (735 000) ✓
1 900 000 ✓	shares in issue at end (R4,89 or R4,90)	9 300 000 ✓

## TOTAL MARKS

80

## QUESTION 5

5.1

5.1.1	Solvency ✓
5.1.2	Liquidity ✓
5.1.3	Return on equity ✓
5.1.4	Gearing ✓

4

5.2 KULFI LTD

5.2.1 RETAINED INCOME:

Balance on 1 March 2018	141 500 ✓
Net profit after tax 293 100 x 70/30 / 977 000 – 293 100	683 900 ✓✓ One part correct
Funds used for repurchase of shares 60 000 ✓ x 0,96 ✓✓ Ignore brackets One part correct	(57 600) ✓ Do not accept 0
Ordinary share dividends One part correct; if Int Div + Final Div Ignore brackets	(456 800) ✓
Interim 1 000 000 x 25c	250 000 ✓✓
Final	206 800 ✓
Balance on 28 February 2019 one part correct Check that figures used for repurchased shares, OSD are deducted	311 000 ✓

12

5.2.2

Calculate: Income tax paid
293 100 ✓ – 11 300 ✓ – 21 800 ✓ = 260 000 ✓ one part correct
Accept alternative arrangements for calculations such as signs reversed, brackets and/or ledger account.
Calculate: Dividends paid
(456 800 – 206 800) 360 000 ✓ + 250 000 ✓✓ = 610 000 ✓ one part correct See 5.2.1
Accept alternative arrangements for calculations such as signs reversed, brackets and/or ledger account.

4

4

5.2.3

Cash effects of investing activities No details -1P (Max)	(518 600) ✓ operation
Fixed assets purchased 345 000 two marks 8 775 720 ✓ + 123 600 ✓ + 111 800 ✓ – 8 430 720 ✓ Accept alternative arrangements for calculations such as signs reversed, brackets and/or ledger account.	(580 400) ✓ One part correct Must be in brackets
Proceeds from sale of fixed assets	111 800 ✓
Increase in fixed deposit	(50 000) ✓✓ Must be in brackets

9

<b>Net change in cash and cash equivalents</b>	✓ 377 700	
Cash and cash equivalents (beginning of year)	✓✓ (117 520) Must be in brackets	
Cash and cash equivalents (end of year)	✓ 260 180	4

5.2.4

**Calculate: Acid test ratio**

996 480 one mark – 448 000 one mark  
548 480 two marks  
(288 300 ✓ + 260 180 ✓) : 553 600 ✓ = 0,99: 1 or 1 : 1 ✓ One part correct; must be y:1

4

**Calculate: Debt-equity ratio**

see 5.2.1  
1 400 000 ✓ : (311 000 ✓ + 7 557 600 ✓)  
7 868 600  
= 0,2 : 1 ✓ One part correct; must be y:1 (0,17 : 1)

4

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

see 5.2.1  
$$\frac{683\,900 \text{ ✓}}{\frac{1}{2} \text{ ✓} (7\,341\,500 \text{ ✓} + 7\,868\,600 \text{ ✓})} \times \frac{100}{1}$$
  
7 605 050 see above SE  
three marks  
= 9% ✓ One part correct; % sign not essential; cannot be Rands, cents, units etc

5

5.2.5

**The shareholders are satisfied with the improvement in the liquidity position. Quote THREE financial indicators (with figures) to support this statement.**

THREE valid indicators ✓ ✓ ✓ Trend figures ✓ ✓ ✓

Current ratio increased from 0,7 : 1 to 1,8 : 1

Acid test ratio increased from 0,4 : 1 to 1 : 1 see 5.2.4

Debtors collection period improved from 39 days to 28 days

Creditors payment period must not be accepted

6

5.2.6

**The company increased the share capital by R840 000, and the loan by R550 000.****Explain how this affected the gearing and risk of the company. Quote TWO financial indicators.**

TWO valid indicators ✓ ✓ with figures ✓ ✓ Comment ✓

Debt/equity ratio moved from 0,1 : 1 to 0,2 : 1 see 5.2.4

ROTCE decreased from 14,4% to 12,9%

The company is lowly geared (not making extensive use of loans)

Increasing the loan has caused the company to be negatively geared as the interest rate is 13,5%. The business is not making effective use of the money borrowed to increase profitability.

5

**Explain what the directors have done with this cash inflow. State TWO points.**

TWO points ✓ ✓ with figures ✓ ✓

Fixed assets purchased; R580 400 **see 5.2.3**

Addressed the overdraft; - R142 520 to + R260 180

Increased investment by R50 000

Dividends paid; R610 000 **see 5.2.2**

Decreased creditors balances, R227 400; more stock purchased, R167 000

Shares repurchased, R540 000

4

5.2.7

**Provide calculations to show the change in the pay-out rate.**

one mark

In 2018:  $80/83 \times 100 = 96,4\%$  ✓✓ of EPS was distributed as dividends

OR: retained 3,6%

one mark

In 2019:  $47/71 \times 100 = 66,2\%$  ✓✓ of EPS was distributed as dividends

OR: retained 33,8%

4

**Give ONE reason why many shareholders were satisfied with the change in policy. Quote figures.**

Any ONE valid explanation ✓ Relevant figures ✓

Cash earnings from dividends decreased by 33 cents per share because the company is retaining money for capital growth.

Market price of shares increased (807c to 840c) probably due to higher retained income (R141 500 to R311 000) **see 5.2.1**

Market price of shares increased (807c to 840c) probably due or NAV (816c to 837c)

2

5.2.8

**Explain how the repurchase of the shares benefited Martha's shareholding. Quote figures.**

Explanation ✓✓ figure (calculation) ✓✓

**Majority shareholding must be mentioned to get two marks**

**Part-mark for explanation for unclear or incomplete answers**

After the repurchase, she once again became the majority shareholder.

$475\,000 / 940\,000 = 50,5\%$

4

**TOTAL MARKS**

**75**

## QUESTION 6

6.1

**Identify TWO items on the Cash Budget that will not appear in a Projected Income Statement.**

Any TWO of: ✓ ✓

Items must come from Info A

Cash from debtors

Fixed deposit: Protea Bank

Cash purchases of trading stock

Payment to creditors

Drawings

2

6.2

**(i) Calculate: Rent income, June 2019**

$$9\,180 \times 100/108 = 8\,500 \checkmark\checkmark$$

**(ii) Calculate: Fixed deposit: Protea Bank, July 2019**

$$400 \checkmark \times 100/6 \checkmark \times 12 = 80\,000 \checkmark \text{ one part correct}$$

$$\frac{400 \times 12}{6\%}$$

**(iii) Calculate: Cash purchases of trading stock, July 2019**

$$760\,000 \times 60\% = 456\,000 \checkmark\checkmark$$

7

6.3

**Calculate the total purchases for April 2019.**

$$\frac{192\,000}{40\%} = 480\,000 \checkmark\checkmark$$

2

6.4

## DEBTORS' COLLECTION SCHEDULE

	CREDIT SALES	JUNE	JULY
MAY	576 000	374 400	
JUNE	558 000 ✓✓	159 030	362 700 ✓✓ If 65% of credit sales
JULY	855 000	x 30% x 95%	243 675 ✓✓✓ 256 500 one mark
TOTAL		533 430	606 375 ✓*

8

\*one part correct

**6.5.1 Comment on the following (provide figures):****Effect of the advertising on sales**

Comment on advertising (with figures) ✓

Comment on sales (with figures) ✓

Effect on sales ✓

Max one mark if no figures provided

Advertising was over budget by R28 800 (80%)Total sales increased by R4 000 (0,6%), due to an increase in credit sales.Effect on sales: The large increase in advertising was not effective / did not achieve the desired effect on sales.

3

**Payment to creditors**

Comment on creditors ✓ Figures ✓

Creditors were underpaid by R75 000 (while purchases increased; if this trend continues, creditors will decrease credit limits, stop supplying on credit, may incur interest charges).

2

**6.5.2 Identify TWO strategies (except advertising) that the business used to achieve sales targets for May 2019. Quote figures.**

TWO strategies ✓ ✓ Figures ✓ ✓

Increased the credit sales, R36 000; (R412 000 more than cash sales)

Introduced delivery service, R19 000

4

**Explain whether these were good strategies, or not. Provide ONE point with figures.**

Comment on collection ✓ Figures ✓

Not effective:

- Collection from debtors was poor (business will face cash challenges in respect of future collections) – less than budget by R95 000 or 20%
- Cash flow problems impacted on payments to creditors – paid R75 000 less than budget
- Delivery service impacted on cash flow – paid R19 000 which was not budgeted
- Small increase in total sales by R4 000

**OR**

Effective:

- Increase in credit sales was R36 000 – increase in number of customers
- Increase in sales was R4 000 – increase in number of customers

2

**TOTAL MARKS**

30

**TOTAL: 300**