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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.

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1.1

True	\checkmark	
True	\checkmark	
False	\checkmark	
True	\checkmark	
	True False	True✓False✓

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. $\checkmark\checkmark$ $\sqrt{\sqrt{}}$ $\sqrt{\sqrt{}}$ \checkmark \checkmark \checkmark 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 VAT CONTROL 33 600 15 890 15 890 33 600 *1 305 51 750 51 750 *1 305 *3 075 *1 470 *3 075 *1 470 34 340 34 340 70 7 15 70 7 15 70 7 15 70 7 15 **Receivable/Payable:** Payable *Jo not accept Receivable (irrespective of workings)*

1.3 BANK RECONCILIATION

1.3.1

Calculate the correct Bank Account balance on 31 May 2019.

Provisional Bank balance	R19 400	Accept	CRJ: 2 350 + 313 + 900 = 3 563
Cheque 654	+ 2 350 🗸	presentations	CPJ: 31 560 + 1 060 = 32 620
Theft of cash	- 31 560√√	such as Bank account or	Bank Balance
Bank charges	- 1 060√	Receipts and Payment	19 400 + 3 563 – 32 620 = (9 657)
Interest income	+313√	columns	()
Correction EFT two marks or 0	+ 900 √√ 6 578-5 678	-1 Foreign items, max -2 if mark is earned	
Correct Bank balance	– 9 657 ☑ One part correct	in BRS	

Favourable/Unfavourable: Unfavourable

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.

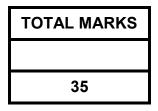
	Alternative	DEBIT	CREDIT
Balance as per Bank Statement	(2 700)	2 700 ☑ Balancing figure	
Outstanding deposit	21 343		21 343√
Outstanding cheques:			
705	(9 450)	9 450√	
797	(14 350)	14 350√	
Debit deposit erroneously credit	(4 500)	4 500√√	
Balance as per bank account	(9 657)		9 657⊠ <mark>See 1.3.1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

7

Δ

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

- 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



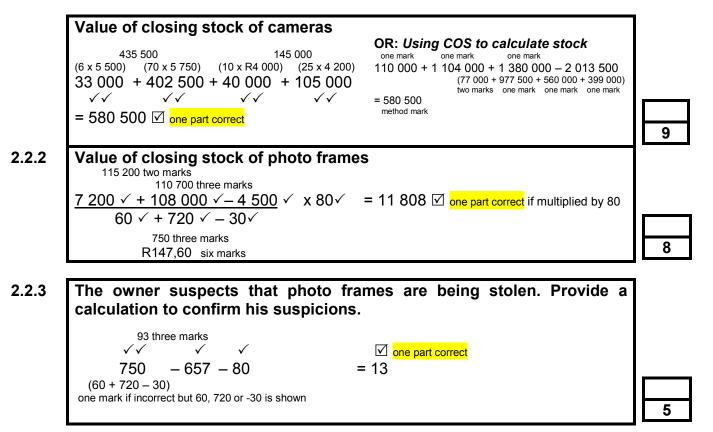
2.1

	-
2.1.1	FIFO ✓
2.1.2	Perpetual ✓
2.1.3	Expense ✓

2

2.2 PHOTO-FIX TRADERS

2.2.1 Calculate:



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. ote: Explanation could differ depending on figures calculated above in 2.2.2 and 2.2.3 Figures **V** Explanation \checkmark \checkmark $\checkmark\checkmark$ Wages one mark It is not worthwhile to R42 000 p a / R 3 500 pm employ the assistant Point 1 OR Cost of units missing: one mark Wages greatly exceed the 13 x R147,60 = R1 918,80 cost of the missing units see 2.2.2 / 2.2.3 above (could use unit cost price) Units missing = 13 one mark see 2.<mark>2.3 above</mark> Units available = 750 one mark Missing items are relatively see 2.2.2 above insignificant % missing = Less than 2% Point 2 OR two marks Units missing are a very OR: small % of units available Units sold p.a. = 657 one mark Units sold per day = 1,8 or 2one mark

2.3 MANAGEMENT OF INVENTORIES

Product	Problem Problem ✓ ✓ ✓ Figures ✓ ✓ ✓	Solution
Cupboards	High returns, 500 or 500 / 1 800 (27,7%) or 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) or 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%



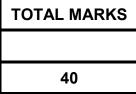
6

6

QUESTION 3

54.5			
3.1.1 Indirect	\checkmark		
3.1.2 <u>Selling</u> and distribution	\checkmark		
3.1.3 Fixed	\checkmark		
3.1.4 <u>Direct</u> material	\checkmark		
Calculate: The value of the closing valuation method	g stock using the f	first-in-first	-out stock
930 x 90 = 83 700 \checkmark 265 \checkmark x 80 \checkmark = $\frac{21 200}{\text{three marks}}$	104 900 ⊠* <mark>one</mark>	part correct	
Calculate: Direct material cost			
(390 000 + 198 400 + 83 700) one mark 59 800 + 672 100 - 104 900 :	= 627 000		
√ √ ⊠ <mark>see ab</mark>	oove		
Factory overhead cost			
TOTAL b/f		84 330	
Insurance (31 200 x 60%)			√ √ *
Rent expense (114 000 x ⁵ / ₈)			√⊠ *
Water and electricity (7 110 \checkmark x ⁵⁰ /	15 √) 474 / 3 555 as final answer	23 700	√
One mark for			-
	one part correct	198 000	∕√
Provide evidence (figures) to just a possible reason for the increase inflation. EVIDENCE figure ✓ ✓	e in EACH unit cos	st, apart fro	
Total fixed cost per unit	ed cost per unit Changes in economies of scale		
Increased by R8 per unit (22%)	Fewer units produced		
(from R36 to R44)	(Do NOT construction for the		
`````	(Do NOT accept inflation		o strikes
(from R36 to R44) <b>Direct labour cost per unit</b> Increased by R12 per unit (32%) (from R38 to R50)	(Do NOT accept inflation More overtime v Inefficiency / Po workers / Surplu gainfully employ to load shedding	vorked due t or supervisions workers n red / Hours I	on of ot

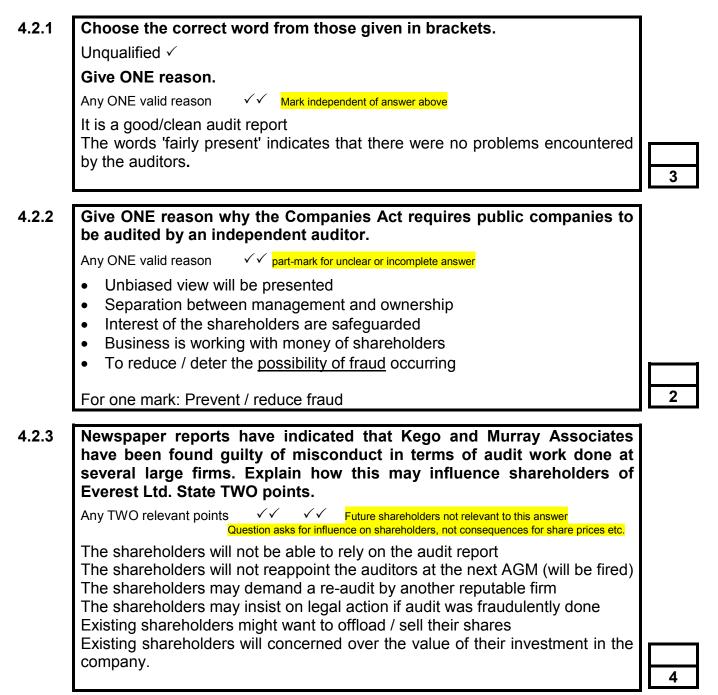
	he break-even point on 31 December 2018.
<u>R 264 000 ·</u>	
300√ — 165 <mark>135 two marks</mark>	
= 1 956 or ′	1 955 or 1 955,6 units ⊠ <mark>one part correct</mark>
•	nether or not there was any improvement in the trends of the oduction and the break-even point from one year to the next res.
Comment on	each ✓ ✓ figures ✓ ✓
	<u>decreased</u> from 7 560 – 6 000 (1 560 units / 20,6%)two marks <u>ecreased</u> from 3 888 units to 1 956 units (1 932 / 49,7%) two marks see above calculation
	arks 6 000 – 1 956 oduction exceeds BEP by 4 044 units while in 2017 productior EP by 3 672 units 7 560 – 3 888
	cannot understand why he is making a better profit this year w this happened. Provide TWO points. Quote figures.
	EP to production ✓✓ figures ✓ elling price ✓ figure ✓
	narks: siness is making a profit on more units this year (4 044 this year st year), 372 units more see BEP calc above
For two marl • The sell jacket)	ks: ing price per jacket increased from R220 to R300 (R80 more pe
OR:	
	ks only if first bullet not provided: ase in BEP by 1 932 units <mark>see above</mark>



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

#### 4.2 AUDIT REPORT



#### 4.3 **MVVS LTD**

Foreign entries –1 max -1

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

#### Statement of Comprehensive Income (Income Statement) for the year 4.3.1 ended 31 March 2019 # Give method mark if R6 236 000

<b>Sales</b> (10 563 280√ + 36 720√)		10 600 000	∕√*
Cost of sales (6 236 000 + 24 000	(6 260 000)	<b>⊠</b> *#	
Gross profit	Sales - COS 7	4 340 000	$\checkmark$
Operating income	operation	112 000	∕√*
Rent income		99 500	
Bad debts recovered		7 800	$\checkmark\checkmark$
Provision for bad debts adjustment		1 600	$\checkmark\checkmark$
Profit on sale of asset		3 100	$\checkmark\checkmark$
Gross operating income	<mark>GP + Ol</mark> 8	4 452 000	$\checkmark$
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	
13 Salaries and wages (1 280 000 √ + 9 1	000 three marks 00√ + 3 900√√)	1 293 000	∕√*
Employer's contributions	318 200	$\checkmark\checkmark$	
Bad debts (22 300 ✓ + 8 000 ✓ ✓)		30 300	✓*
Consumable stores		49 800	$\checkmark\checkmark$
Insurance (79 500 - 38 250 -)		41 250	✓*
156 799 three marks Depreciation (34 999 + 80 000 + 41 800) + ✓ ✓ ✓ ✓	94 250 two marks • (92 500 + 1 750)	251 049	√*
Trading stock deficit (364 200 - 24 0		5 700 29 700 three marks	∕∕*
Operating Profit	<mark>GOI – OE</mark>	742 000	$\checkmark$
Interest income balancing figure; cannot be 0; acce	pt -ve based on workings	26 000	$\checkmark$
Profit before interest expense	NPBT + IE	768 000	$\checkmark$
<b>Interest expense</b> (1 430 200 ✓ + 304	800 ✓ − 1 658 000 ✓ )	(77 000)	∕√*
Net profit before tax		691 000	
Income tax	Ignore brackets	(193 480)	$\checkmark\checkmark$
Net profit after tax	<mark>must subtract income tax</mark> 10	497 520	$\checkmark$
		*one	part correc

⁵³ 

# 4.3.2 NOTES TO THE BALANCE SHEET

Fixed/Tangible Assets	cluded, where applica	<mark>ble, to score marks</mark> )	
	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	-	<mark>See Inc Stmt</mark> (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)	(190 250) ✓✓

#### Ordinary share capital

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

#### 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 correc	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			

8

#### 5.1

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

4

12

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 share $60\ 000\ \checkmark$ x 0,96 $\checkmark$ $\checkmark$	ES Ignore brackets One part correct	(57 600) ☑ Do not accept 0
Ordinary share dividends One part correct; if Int Div + Final Div		(456 800) 🗹
Interim 1 000 000 x 25c		250 000√☑
Final		206 800√
Balance on 28 February 2019 Check that figures used for repurch	one part correct hased shares, OSD are deducted	311 000☑

#### 5.2.2 Calculate: Income tax paid

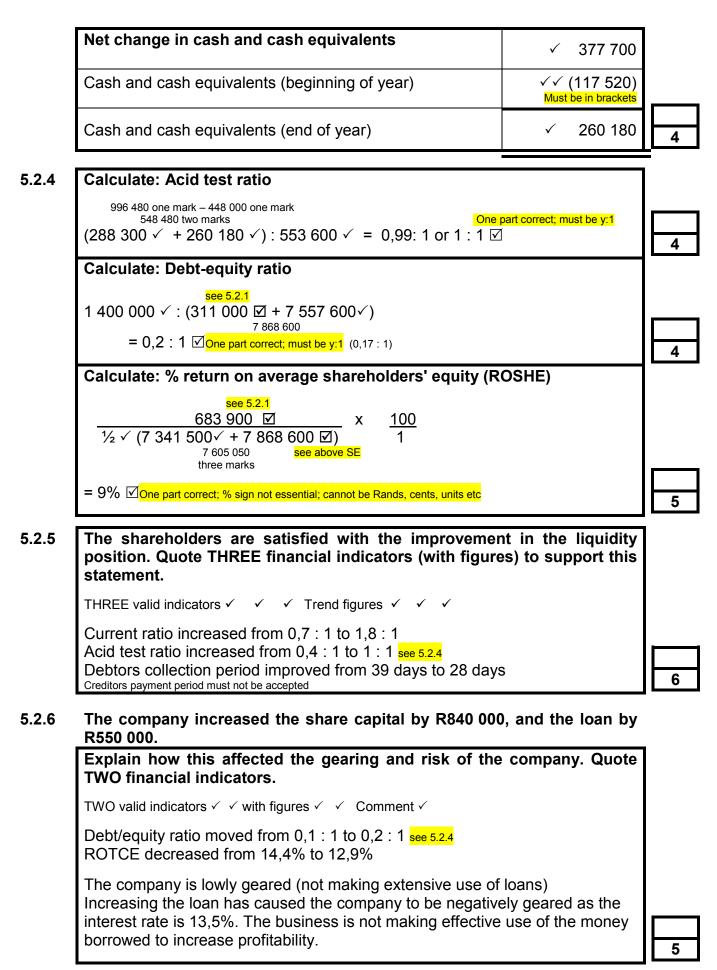
293 100 ✓ - 11 300 ✓ - 21 800 ✓ = 260 000 ☑ one part correct

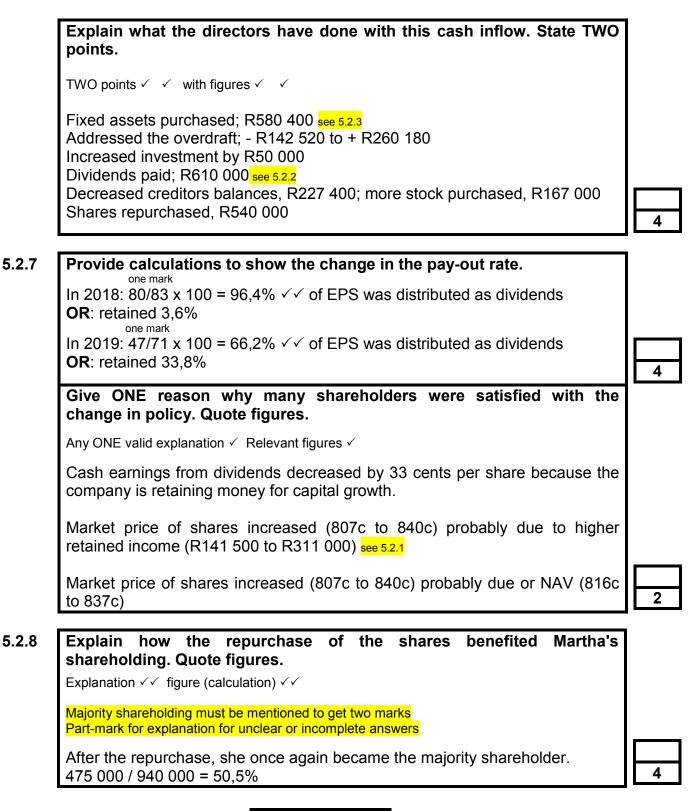
Accept alternative arrangements for calculations such as signs reversed, brackets and/or ledger account.

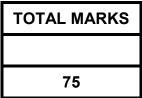
#### Calculate: Dividends paid

Accept alternative arrangements for calculations such as signs reversed, brackets and/or ledger account.

Cash effects of investing activities No details -1P (Max)	(518 600)⊠ operation
Fixed assets purchased $345\ 000\ two\ marks$ 8 775 720 $\checkmark$ + 123 600 $\checkmark$ + 111 800 $\checkmark$ - 8 430 720 $\checkmark$ 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







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

Any TWO of:  $\checkmark$   $\checkmark$  Items must come from Info A

Cash from debtors Fixed deposit: Protea Bank Cash purchases of trading stock Payment to creditors Drawings

6.2

(i) Calculate: Rent income, June 2019

9 180 x 100/108 = 8 500 √√

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

 $400 \checkmark x \ 100/6 \checkmark x \ 12 = 80 \ 000 \ \square$  one part correct  $\frac{400 \times 12}{6\%}$ 

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

760 000 x 60% = 456 000  $\checkmark \checkmark$ 

#### 6.3 Calculate the total purchases for April 2019.

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

#### 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⊠*

*one part correct

#### 6.5.1 Comment on the following (provide figures):

