

You have Downloaded, yet Another Great Resource to assist you with your Studies ③

Thank You for Supporting SA Exam Papers

Your Leading Past Year Exam Paper Resource Portal

Visit us @ www.saexampapers.co.za







# basic education

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

# NATIONAL SENIOR CERTIFICATE

# **GRADE 12**

# ACCOUNTING

\_\_\_\_\_

# **NOVEMBER 2018**

# **MARKING GUIDELINES**

# **MARKS: 300**

ł

П

# 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 candidate's response.
- 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 17 pages.

12

# **QUESTION 1**

1.1

 1.1.1
 False ✓

 1.1.2
 True ✓

 1.1.3
 True ✓

 Accept recognizable abbreviations e.g. T or F

# 1.2 KRIGE SHIRTS

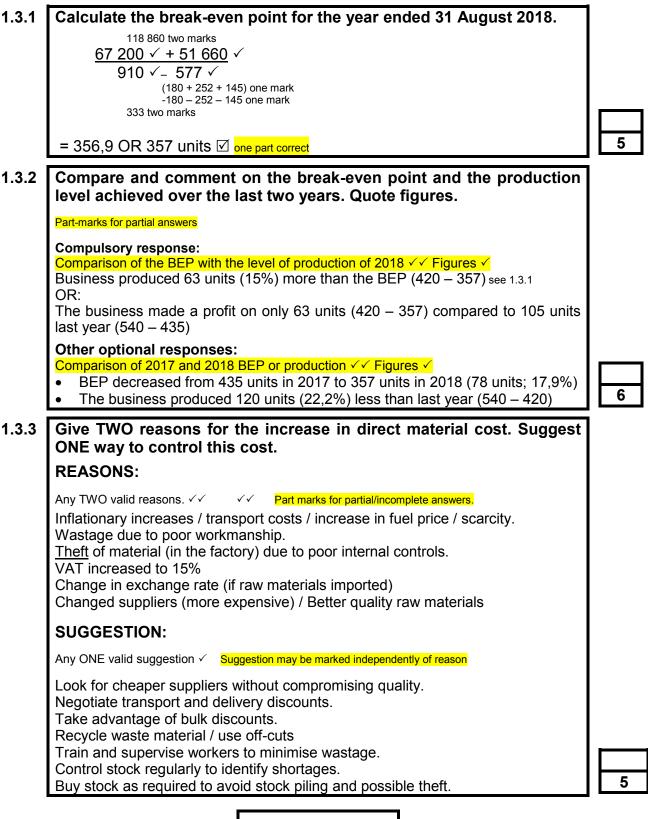
.2.1	Calculate direct labour cost.			
	3 √ x 1 960 √ x 90 √	529 200	three marks	
	529 200 (normal time) x 12%	63 504	✓ ✓ if 12% of normal time	
	1 x 1 680 x 90	151 200	$\sqrt{\square}$ one part correct	
		12 146	$\checkmark$	
		756 050	✓ one part correct	
	529 200 x 112% 592 704 + 151 200 + 12 146 = 756 05 five marks two marks one mark one me			
	705 600 -25 200	63 504		
	(4 x 1 960 x 90) - 90 (1 960 - 1 680) + ( three marks two marks	3 x 1 960 x 12%) two method marks		
	705 600 84 672	-25 200	-9 022	
	(4 x 1 960 x 90) + (705 600 x12%) - 90( three marks two marks two	1 960 – 1 680) + p method marks	(21 168 – 12 146) = 756 050 one mark one method mark	

# 1.2.2 PRODUCTION COST STATEMENT FOR THE YEAR ENDED 31 JULY 2018

Direct material cost		528 300		
Direct labour cost see 1.2	<mark>2.1</mark>	756 050	$\checkmark$	
Prime cost if DMC +	DLC	1 284 350	$\checkmark$	
Factory overhead cost       20 000 three marks 45 000 two mark         360 880 ✓ + <sup>4</sup> / <sub>9</sub> ✓ x (48 750 ✓ - 3 750 ✓         one mark       one mark         360 880 + (21 667 - 1 667)         one mark       two marks         360 880 + (45 000 - 15 000 - 10 000)	)	380 880	<mark>⊘ne part</mark> correct	
Total production cost Opera	ation	1 665 230	$\checkmark$	
Work-in-progress (1 August 2017)		35 570	$\checkmark$	
		1 700 800		
Work-in-progress (31 July 2018) balancing figu	ure	(38 300)	$\checkmark$	
Cost of production of finished goods		1 662 500	$\checkmark\checkmark$	ĮĽ

Misplaced items (FOHC): award marks but penalise on prime cost

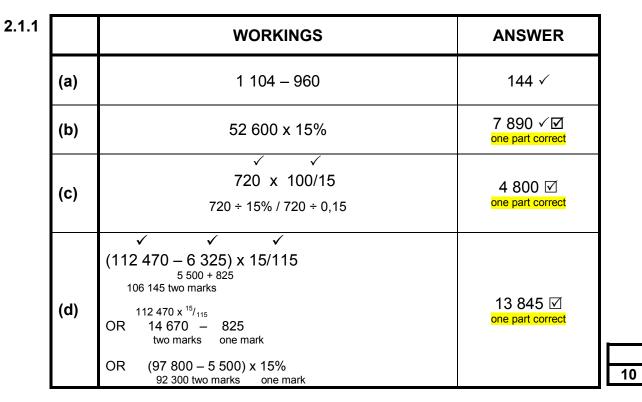
# 1.3 GEMMA'S MANUFACTURERS





# **QUESTION 2**





2.1.2 You are the internal auditor. The sole owner, Samson, used a business cheque to buy a new car for R460 000 including VAT. This car is kept at home for his wife's use. Samson says the vehicle must be recorded as a business asset and R60 000 must be recorded as a VAT input in the business' books.

Explain what you would say to Samson. Provide TWO points.

TWO valid points  $\sqrt{\sqrt{2}}$   $\sqrt{\sqrt{2}}$  part-marks for partial / incomplete answers; figures not required

Expected responses for two marks:

Be aware of two points within one explanation

- This is tax evasion / he is attempting to reduce the amount due to SARS for VAT (this is illegal and unethical)
- He will be increasing the input VAT, effectively reducing the amount due to SARS.
- He could be fined or imprisoned because it is a criminal offence.
- Personal transactions and business transactions should be kept separate (Business entity concept) / Samson should pay for this out of his private bank account.
- As the car is not used for business purposes, the full amount of R460 000 should either be treated as drawings or a reduction of his capital contribution.

# 2.2 CREDITORS' RECONCILIATION

2.2.1

	CREDITORS LEDGER: ACCOUNT OF MARITI SUPPLIERS	STATEMENT OF ACCOUNT
Balance	147 820	145 060
(a)	+ 1 800 🗸 🗸	
(b)	- 40 950 🗸 🗸	
(c)		+ 30 000 🗸 🗸
(d)		- 5 400 🗸 🗸
(e)	- 8 100 √ - 8 100 √ -16 200 two marks	
(f)		- 77 190 √ √
	92 470 Both tota	ıls reasonable ☑ 92 470
Penalty for foreig	Totals may be different; must include the Focus on amounts if lines are mixed u n/superfluous entries; -1 per line provided a m	ip.

# 2.2.2 The internal auditor insists that direct payments (EFTs) must be used to pay suppliers.

Explain ONE reason to support his decision. ONE reason √√ part-marks for partial / incomplete answers It is quick and easy / easier to monitor / efficient / convenient / safer/ cheques may be lost / not time-bound (business hours) / less bank charges / no need to keep track of outstanding cheques / makes claiming cash discounts easier / 2 avoid interest on late payments Explain ONE internal procedure to ensure control over this system. ONE internal control measure  $\sqrt{\sqrt{\frac{1}{2}}}$  part-marks for partial / incomplete answers For two marks: Senior personnel authorized to make internet payments Two people to authorise an EFT transaction (allocation of duties) Security codes for users (unique codes) / change codes regularly Notification from bank (sms / email) when payments are effected 2 For one mark: Division of duties

# 2.2.3 Besides dismissing Vernon, provide ONE suggestion for action to be taken against him.

ONE valid point  $\sqrt[]{}$  Part-marks for partial or unclear answer Disciplinary hearing / criminal or civil charge / suspension / demotion / transfer to another department / deductions from his salary / written warning

**Provide ONE suggestion to prevent this problem in future.** ONE valid suggestion  $\checkmark \checkmark$  Part-marks for partial or unclear answer Division or rotation of duties / one person check orders, the other receives stock / Stock records to be updated with every invoice / Proper authorization of orders / Ensure goods received at the gates are supported by order form and invoice / Regular stocks counts to compare to records





4

# **QUESTION 3**

J. I
------

3.1.1	Current assets 🗸		
3.1.2	Operating income ✓	Accept recognizable abbreviations	
3.1.3	Non-current asset ✓	e.g. NCA	I.
3.1.4	Operating expense ✓		

#### **TEMBISO LTD** 3.2.1

# **INCOME STATEMENT FOR THE YEAR ENDED 28 FEBRUARY 2018**

Sales	Choose the line which benefits the candio 4 760 000	dates		
(4	856 000 – 96 000) x 1,40 =	6 664 000 √⊠* + 86 400 √⊠*	6 750 400	⊻*
	$\begin{array}{c} 6 \ 000 \ x \ ^{140}/_{100} \ ) - (96 \ 000 \ x \ ^{50}/_{100} \\ 6 \ 798 \ 400 \ & 48 \ 000 \\ \& \ \text{one method mark} \ & \text{one mark} \ \& \ \text{one method mark} \end{array}$			
Cost of s	ales		(4 856 000)	
<sup>6</sup> Gross pr	ofit	Operation	1 894 400	V
Other op	erating income		879 440	
Gross in	come	Operation	2 773 840	V
<sup>2</sup> Operatin	g expenses		(1 255 000)	∕*
Salaries	and wages		501 200	
	s (65 400 ✓ + 21 800 ✓ 65 400 × 25 ÷	75	87 200	∕∕*
Rent exp	ense (79 240 ✓ + 24 080 v 67 200 one mark + 36 120 two	<ul><li>✓)</li></ul>	103 320	▼*
Directors	fees (497 800 ✓ - 26 200 ✓	<ul><li>✓ ) x 36/38</li></ul>	471 600	⊠*
Sundry e	xpenses		91 680	$\checkmark$
4 Operatin	g profit		1 518 840	√*
Interest	income balancinç	g figure (accept a -ve figure)	56 160	$\checkmark$
Net profi	t before interest expense	NPBT + Interest expense	1 575 000	∕∕*
Interest	expense		(242 500)	$\checkmark$
Net profi	t before tax	NPAT + Inc Tax	1 332 500	$\mathbf{N}$
Income t	ax	(341 800 + 31 300 )	(373 100)	√ ⊠*
<sup>6</sup> Net profi	t after tax		959 400	
Foreign items	(e.g. Balance Sheet items / dividends; see	e Principle 1) -1 max	*one par	t correct

# 3.2.2 ORDINARY SHARE CAPITAL

# AUTHORISED SHARE CAPITAL

# 1 600 000 ordinary shares

# ISSUED SHARE CAPITAL

operation 500 000⊡	Shares issued balancing figure	3 475 000	⊠*⊠* <u>if x 5,45</u> ☑ <mark>operation</mark>
500 000⊠ <b>1 480 000</b>	Shares issuedbalancing figureOrdinary shares on 28 February 2018	3 475 000 8 816 000	✓ operation

# **RETAINED INCOME**

If no brackets, check operation

If no brackets, check operation

Balance on 1 March 2017	376 600	
Net profit after tax	959 400	$\checkmark$
Shares repurchased	(465 000)	✓
Ordinary share dividends balanc	ing figure (486 400)	
Interim dividends (980 000 x 0,30)	art correct 294 000	$\checkmark \blacksquare$
Final dividends     total dividends - interim	dividends 192 400	V
Balance on 28 February 2018	384 600	$\checkmark$

# 3.2.3 EQUITY AND LIABILITIES SECTION OF THE BALANCE SHEET

SHAREHOLDERS' EQUITY operation (added)	9 200 600	$\checkmark$
Ordinary share capital	8 816 000	
Retained income see 3.2.2; do not accept 0	384 600	$\checkmark$
NON-CURRENT LIABILITIES	1 371 600	
Loan LSO Bank 31 600 x 12 379 200 - 162 000 (1 725 500 ✓ - 379 200 ✓ + 242 500 ✓) - 217 200 ✓ 1 588 800 three marks	1 371 600	⊻*
CURRENT LIABILITIES	900 900	∕∕*
Trade and other payables       *could include SFD/SARS:IT/STL         (414 120 ✓ + 21 800 ☑ + 24 080 ☑)       audit fees         rent expense amount – 79 240	460 000	⊻*
Shareholders for dividends see 3.2.2	192 400	$\mathbf{\nabla}$
SARS: Income tax	31 300	✓
Current portion of Ioan see candidate's NCL -ve above / accept 379 200	217 200	$\blacksquare$
		-
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES	11 473 100 <u>se + ncl + cl</u>	$\checkmark$

# 3.3 AUDIT REPORT

# 3.3.1

Point 1	<b>Opinion</b> ONE valid point ✓ The auditors found no problem to report / unqualified report /	
	statistical sampling used / met the required standard	1
Point 2	IFRS and Companies Act ONE valid point ✓✓ Part-mark for partial answer For two marks: Must cover local & global points Companies operate in local and international contexts / may have local and international shareholders / compliance with national and international laws and standards / companies may operate on a global market and engages in international trade and locally / shareholders (investors) may come from all parts of the world / readers in any this country and other countries can understand how financial statements are prepared or presented For one mark: Partial / incomplete answer Comply with standards or laws / must comply with South African Companies Act / must comply with international standards	2
Point 3	<b>Independent</b> ONE valid point $\checkmark \checkmark$ Part-mark for partial answer	
	Their opinion is unbiased / they have no personal interest in the company / No conflict of interest / They are authentic. They have high international standards of professionalism to maintain / They have a code of conduct.	2
3.3.2		
Point 4	TWO examples of ethical responsibilities:Any TWO valid examples✓✓✓✓Part-mark for partial answerNo colluding with management to overlook any material matter.No accepting bribes or engaging in corruption.Care taken in completing the audit and expressing the opinion.The readers can rely on the information in the financial statement.Being honest in their duties / have integrity / truthfulness / unbiased.Complying with King Code or GAAP / Keep up to date with new requirements.	4
Point 5	TWO examples of audit evidence:Any TWO valid example✓✓✓✓Part-mark for partial answerCheck the internal controls and the efficiency of the internal audit.Source documents (provided by external organisations, provideverification)Records such as asset registers, stock records etc.Policies and procedures of the companyReport of an audit committee which assess the internal and external auditprocesses / Internal auditors report on ensuring internal controls are efficient)	4
	TOTAL MARKS	

# **KEEP THIS PAGE BLANK.**

2

4

Answer

one part correct; accept 14%

% sign not necessary

14,4% √ ☑

# **QUESTION 4** 4.1 **CALCULATION OF FINANCIAL INDICATORS FOR 2018** Calculate: % operating expenses on sales 4.1.1 Workings <u>1 900 000</u> x 100

### 4.1.2 Calculate: Acid test ratio

13 182 000

Workings	Answer
775 000 two marks (2 427 000 ✓ − 1 652 000 ✓) : 1 244 000 ✓	0,6 : 1 🗹
Or: (410 000 + 365 000) : 1 244 000 one mark one mark one mark	one part correct shown as x : 1

### 4.1.3 Calculate: % return on shareholders' equity

Answer	Workings
$\mathbf{\nabla}$	1 911 000 ✓ x <u>100</u>
19,8% or 26,5% or 15,8%	9 651 500 or 7 191 000 or 12 112 000 1
one part correct; % sign not necessary accept 20% or 26% or 27% or 16%	½ (7 191 000 + 12 112 000) ✓ ✓
	The $\frac{1}{2}$ can only apply if these two figures are added .i.e. for the answer of 9651 500

### 4.2 **FIGURES FOR 2018 CASH FLOW STATEMENT**

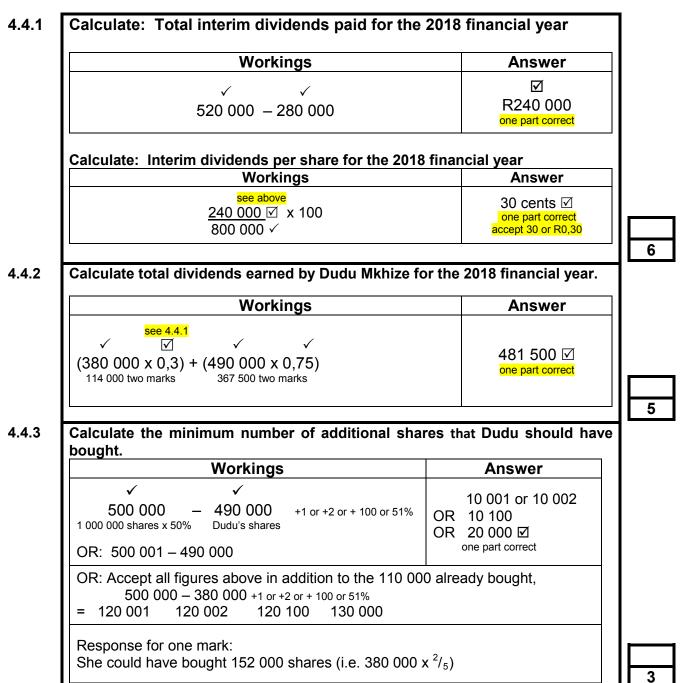
Be aware of alternative arrangements for calculations; accept final answers in brackets Final answer need not indicate inflow or outflow – may ignore brackets Choose the line which best benefits the candidates.

### ~ 1

Workings	Answer
	25 000√√
alculate: Income tax paid	
Workings	Answer
819 000 ✓ - 15 000 ✓ - 74 000 ✓ OR - 819 000 + 15 000 + 74 000 OR ledger account form OR brackets	730 000 ☑ one part correct
Calculate: Fixed assets sold (at carrying value)	
Workings	Answer
– 12 154 000 – 412 000 + 4 840 000 + 8 031 000	
Or: 12 154 000 + 412 000 – 4 840 000 – 8 031 000	305 000 ☑ one part correc
Or: 4 560 000 – 4 840 000 – 25 000	

**EXPLANATIONS ON CASH FLOW STATEMENT** 4.3 Explain why the directors are satisfied with the improvement in cash and cash 4.3.1 equivalents since 1 July 2016. Quote figures. ONE valid point ✓✓ relevant figure/s ✓ Part-marks for partial or unclear answers Response for three marks (i.e. comment on two financial years): Large negative balance of R609 000 (at end of 2016 fin.year) improved to positive R410 000 (at end of 2018 fin.year) / improved by R1 019 000. OR Large overdraft of R609 000 (at end of 2016) improved to R130 000 / by R479 000 by the end of the 2017 fin. year. Improvement continued in 2018; the overdraft was eradicated, and C&CE were positive R410 000 at end of 2018 fin. year. Response for two marks (i.e. comment on one financial year): In 2018 fin. year, C&CE increased from R5 000 to R410 000 / by R405 000 OR: In 2017 fin. year, overdraft of R609 000 decreased to R130 000 / by R479 000 OR: In 2018 fin. year, overdraft of R130 000 was eliminated, C&CE improved to positive 3 R410 000 / by R540 000. Identify THREE decisions that the directors made to pay for land and buildings. 4.3.2 Points (with figures) **Decision 1** ✓ Issued shares (rights issue): R4m√ (with figures) Decision 2 ✓ Sale of fixed assets R305 000 see 4.2.3 (with figures) ✓ Cash generated from operations; part of R1,85m ✓ **Decision 3** / increase of R804 000 (with figures) Items that may influence cash generated from operations R3,32m ٠ Any other Increase in sales R5,4m / due to lower mark-up 72% to 58% • valid point e.g. • Tax not paid R74 000 6 Better collection from debtors (820 000 - 365 000) • Explain how these decisions affected the capital employed in the 2018 financial year. Quote figures. Any ONE of: Must quote appropriate figures  $\sqrt{4}$ TCE increased by R4.171m / from R9.791m to R13.962m / by 29.9 42.6% OSHE increased by R4,921m / by 68,4% / OSC increased by R4m / Loan decreased by R750 000 Explain how these decisions affected the financial gearing in the 2018 financial year. Quote TWO financial indicators and their figures. part-mark if figure wrong **TWO** relevant financial indicators  $\checkmark$   $\checkmark$  figures and trend  $\checkmark$ Debt/equity ratio improved (decreased) from 0,4: 1 to 0,2:1 6 ROTCE improved (increased) from 17,8% to 20,8% (while interest rate is 12%) From the Cash Flow Statement identify ONE decision made by the directors in 2017 4.3.3 that they did NOT make in 2018, besides the points mentioned above. Give a possible reason for the decision in 2017. Possible reason √ Any one decision  $\checkmark$  (with figures)  $\checkmark$ Repurchase of shares, R1m Satisfy shareholders / improve certain financial indicators; EPS; DPS; NAV Maintain ROSHE or EPS or DPS; Issued no shares (i.e. Nil) economic climate not conducive to expansion in previous year Increased the loan by R600 000 Because they did not issue shares

# 4.4 DIVIDENDS, RETURNS AND SHAREHOLDING



## 4.5.1 Explain why it was necessary to purchase properties in other provinces instead of in KZN. $\checkmark \checkmark$ Any valid explanation e.g. Part-marks for unclear / incomplete answers To increase their target market / to increase sales / to generate new customers / to expand to areas where there is lots of money / because they exhausted the market in KZN / too much competition in KZN / low profits in KZN / to diversify their business operations (e.g. rental income) / because of better value for money in other provinces 2 Explain whether the decision to purchase these properties had the desired effect on sales. Quote figures. one mark for figure without implied comparison Identify positive effect ✓ Figures ✓ comparison may be implied by the figures for two marks Sales increased by 850 bikes / from 900 to 1 750 / by 94,4% OR by R5,442m / from R7,74m to R13,18m / by 70,3% 3 Explain another strategy they used to solve the problem of low sales. Quote figures. one mark for figure without implied comparison Identify positive effect $\checkmark$ Figures $\checkmark \checkmark$ comparison may be implied by the figures for two marks Decrease in MU% from 72% to 58% / by 14% (led to increased sales) 3 OR Decreased selling prices reduced from R8 600 to R7 533 / by R1 067

# 4.5.2 Give advice on what Ben Palo should say about the following topics:

Advice on what to say on earnings per share:	
Explanation/trend  Figures  figures  figures  figures  figures  figures  figures  figures  figure  figure  figures  figu	Í
EPS increased by 60% / from 130c to 208c / by 78c (compared to R28 or R12,11)	3
Advice on what to say on % return earned:	
Explanation/trend $\checkmark$ Figures $\checkmark \checkmark$ comparison may be implied by the figures for two marks	
ROSHE (is above returns on alternative investments) increased from 14,4% to 19,8% / 26,5% / 15,8% see 4.1.3	
	3
Advice on what to say on share price on the JSE:	
Explanation/trend $\checkmark$ Figures $\sqrt{\sqrt{2}}$ comparison may be implied by the figures for two marks	
Market price increased R21,00 $\rightarrow$ R28,00	2
Exceeds NAV R8,99 → R12,11	3

TOTAL MARKS
70

# **QUESTION 5**

5.1

5.1.1	C√ / FIFO
5.1.2	E ✓ / Specific Identification
5.1.3	A ✓ / Straight line
5.1.4	$D\checkmark$ / Diminishing balance

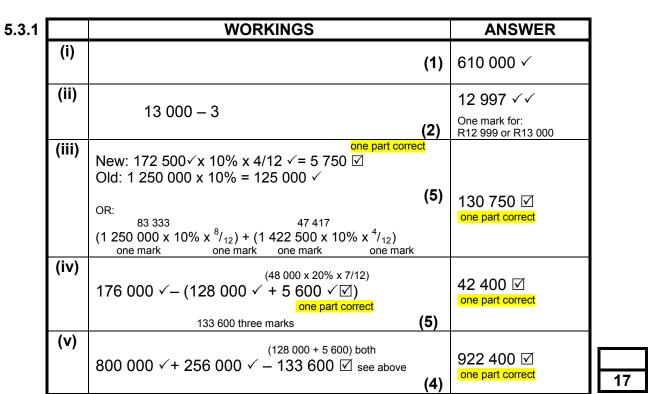
4

# 5.2 PACKER'S SUITCASE SHOP

### 5.2.1 Calculate the value of the closing stock on 30 June 2018 using the first-infirst-out method. one mark one mark 425√ x R3 040 √ 1 368 000 – 76 000 R 1 292 000 450 - 25 R 208 030 71 ⊠ x R2 930 √ 496 – 425 or units above one part correct R 1 500 030 ☑ 5 5.2.2 Charles suspects that suitcases have been stolen. Provide a calculation to support his concern. Choose the line which best benefits the candidates. (3 155 – 25) 420 + 3 130 – 3 050 – 496 = 4 units $\checkmark$ one part correct $\checkmark$ 5 -420 – 3 130 + 3 050 + 496 = –4 units 5.2.3 Charles is concerned about the volume of stock on hand. Calculate for how long his closing stock is expected to last. 1 500 030 ☑ see 5.2.1 \_ x 365 (or 12) √ 913 500 ✓ + 8 384 850 ✓ – 1 500 030 ☑<mark>see 5.2.1</mark> 8 460 850 - 76 000 9 298 350 two marks / 7 798 320 three marks = 70,2 days 🗹 one part correct OR COS: 913 500 + 1 912 500 + 2 616 600 + 2 355 720 OR: 2.3 months one mark [one mark one mark] max. three marks OR: IF UNITS ARE USED: two marks one mark one method mark two marks one mark one method mark 496 x 12 = 1,95 months OR 496 x 365 = 59,4 days 6 3 050 two marks 3 050 two marks **ONE problem with keeping too much stock on hand:** ONE point VV Part-mark for partial answer Can become obsolete and therefore useless to customers. Staff may see less movement in stock and decide to steal. Cost of storage / lack of storage space. **ONE problem with keeping insufficient stock on hand:** ONE point $\checkmark$ Part-mark for partial answer Will not meet the needs of consumers – they may go elsewhere to buy.

Loss of income from sales.

# 5.3 MINDEW LIMITED



# 5.3.2 Explain how the internal auditor should check that movable fixed assets were not stolen.

Any ONE point  $\sqrt[4]{}$  Part-marks for unclear / incomplete answers

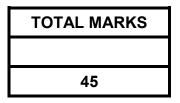
- Conduct physical inspection (regular and random)
- Compare to fixed asset register

# 5.3.3 As an independent auditor, what advice would you give? Provide ONE point.

ONE valid point √√

Part-marks for unclear / incomplete answers

- GAAP prescribes the historical (original) cost principle when recording assets and only recognising profits and/or losses on disposal (i.e. prudence).
- IFRS provides for revaluation (fair value) provided that this estimate can be measured reliably (evidence).
- Essentially, financial statements must not be overstated to create a false impression on profitability
- There could be tax implications.



2

# **QUESTION 6**

6.1 Debtors' Collection Schedule for October 2018.

MONTHS	CREDIT SALES	SEP. 2018	OCT. 2018
July	369 600	81 312	
August	384 400	211 420	84 568 🗸 🗸
September	403 200	76 608	221 760 🗸 🗸
October	420 000		79 800 ✓√
		369 340	386 128 🗹*
	•		

# \*one part correct

# 6.2 Calculate:

(i) Cash sales for September

403 200 ✓ x 60/40 ✓ = 604 800 ☑ one part correct

Or 1 008 000 - 403 200 = 604 800 Or 1 008 000 x 60% = 604 800 one mark one mark method mark one mark method mark

(ii) Rent income for October √ ☑ one part correct; must increase

25 600 x 109% = 27 904

25 600 + 2 304 = 27 904

(iii) Payments to creditors in October

 $\frac{\sqrt{1008000 \text{ x}^{100}}}{\frac{100}{175} \text{ x} 50\%} = 288\ 000\ \text{M} \text{ one part correct}}$ 

9

3

6.3 Calculate the % increase in salaries of sales assistants for October 2018.  $\begin{array}{c} 102 \ 102 \ -92 \ 400 \\ \underline{9702} \ \checkmark \ x \ 100 \ = \ 10,5\% \ \square \ \text{one part correct} \\ 92 \ 400 \ \checkmark \end{array}$ 

Explain whether the sales assistants should be satisfied with this increase.

Explanation ✓ ✓

They should be satisfied as a 10,5% increase is a fair increase which is above the current inflation rate.

OR

They may be dissatisfied when compared to the 25% increase to salaries of manager.

# 6.4 Refer to Information E:

# 6.4.1 Explain the effect of the new competitor on any TWO items in the budget for <u>September</u>. Provide figures.

TWO valid points  $\checkmark$   $\checkmark$  figures  $\checkmark$   $\checkmark$ 

- Total sales decreased from R1 008 000 to R840 000 (by R168 000).
- 40 fewer air-conditioners were sold.
- Cash sales are below budget (R604 800 R336 000) / increase in credit sales (R504 000 – R403 200).
- Reduced delivery expenses (R67 200) and commission on sale (R25 200) due to poor sales.
- Cash surplus is less than budget (R22 500 compared to R63 000) / cash balance at end is less than expected (R120 500 compared to R161 000).

4

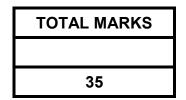
Item (with figures) √√ √√	Possible reason ✓ ✓
Decrease in cash purchases from	To improve cash flow
the expected R300 000 to R252 000	
An increase in credit purchases	To ensure supplies for increased
1 260 000 x 100/175 x 50% = 360 000 expected Actual: 720 000 – 252 000 = 468 000	sales.
Increased delivery from R67 200 to	Offer of free delivery to increase
R138 240 / decided to overspend on	sales volume
delivery budget by R58 240	Wider target market; more units sold
More commission from R25 200 to	To motivate sales staff to sell more
R46 080 / overspent on commission	products
by R14 560	
Credit sales increased from	Sold on credit to increase number of
R504 000 to R882 000.	customers.

# 6.4.3 Explain why Donald feels that his decisions were successful. Provide TWO points (with figures).

TWO valid points (with figures)  $\checkmark \checkmark \checkmark \checkmark$  Be aware of two points within one explanation

- Sales of air-conditioners exceeded budget by 50 units (300 250)
- Units sold increased from 200 to 300 / by 100 / by 50%
- Sales were R210 000 over budget (R1 050 000 compared to actual R1 260 000 / by 20%
- Total sales increased from R840 000 to R1 260 000 / by R420 000 / by 50%
- Increase in credit sales from the expected R420 000 to R882 000 / by R462 000 / by 110%
- Advertising did not increase (remained at R10 000) yet sales increased.

4



**TOTAL: 300**