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Basic Education
REPUBLIC OF SOUTH AFRICA

NATIONAL SENIOR CERTIFICATE

GRADE 12

ACCOUNTING P2

SEPTEMBER 2021

MARKING GUIDELINES

MARKS: 150

MARKING PRINCIPLES:

1. Unless otherwise stated in the marking guidelines, penalties for **foreign items** are applied only if the candidate is not losing marks elsewhere in the question for that item (no penalty for **misplaced item**). No double penalty applied.
2. Penalties for **placement or poor presentation** (e.g. details) are applied only if the candidate is earning marks on the figures for that item.
3. 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.
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. Note that one comment could contain different aspects.
14. Codes: f = foreign item; p = placement/presentation.

These marking guidelines consist of 10 pages.

QUESTION 1**1.1**

1.1.1	Indirect materials	✓
1.1.2	Indirect labour	✓
1.1.3	Direct materials	✓

Do not accept abbreviations

3

1.2.1 Calculate the direct material cost.

Workings	Answer
$ \begin{array}{r} (738\,900 - 15\,300) \text{ one mark} \\ 115\,200 \checkmark + 723\,600 \checkmark - 314\,500 \checkmark \end{array} $	524 300 <input checked="" type="checkbox"/> one part correct

4

1.2.2 PRODUCTION COST STATEMENT FOR THE YEAR ENDED 29 FEBRUARY 2020

Direct material cost	See 1.2.1	524 300 <input checked="" type="checkbox"/>
(3 600 one mark + 900 one mark)		
Direct labour cost (598 750 ✓ + 4 500 ✓✓ + 450 <input checked="" type="checkbox"/> 10% of gross)		603 700 <input checked="" type="checkbox"/> *
Prime cost	DMC+DLC	1 128 000 <input checked="" type="checkbox"/>
Factory overhead cost (15 880 – 1 480) two marks 14 400 two marks x ¾ one mark $ \begin{array}{r} 322\,100 \checkmark + 10\,800 \checkmark \checkmark \checkmark - 4\,400 \checkmark \checkmark \\ + 35\,200 \text{ one mark} - 39\,600 \text{ one mark} \end{array} $		328 500 <input checked="" type="checkbox"/> *
Total manufacturing cost	PC+FOHC	1 456 500 <input checked="" type="checkbox"/>
Work-in-progress (1 March 2019)		53 500
		1 510 000
Work-in-progress (29 February 2020)	inspect balancing figure	(160 000) <input checked="" type="checkbox"/>
Total cost of production of finished goods		1 350 000 ✓✓
(22 500 x R60)		

18

*one part correct

1.2.3 Identify TWO concerns regarding James's job card. Also provide ONE suggestion to address the concerns identified.

TWO CONCERNS: Any TWO points ✓✓ ✓✓ part marks for incomplete / partial / unclear answers
 Figures are not required, can be used to support concerns

- It is unethical to work overtime to earn more, and compromising normal time.
- Worked 10 hours less (only 75% of normal time), but worked 5 hours' overtime (cost the business and additional R300)
- His pattern of poor attendance (productivity) was not detected earlier.
- James is an unreliable worker, not committed to his job.
- He could create a negative trend if noticed by other workers.

ONE SUGGESTION: ONE point ✓✓ part marks for incomplete / partial / unclear answers

Disciplinary action (James and the Foreman) / regular supervision of workers / setting and controlling targets / training of management staff (foreman) / investigate for possible collusion / exercise strict control of overtime (authorisation)

6

1.3 FRAGRANCE MANUFACTURERS

1.3.1 Identify ONE variable cost of each product that was not well controlled. Note that the inflation rate is 6%. Quote figures. In each case, give a solution for the problem identified.

VARIABLE COST (with figures) ✓ ✓ ✓ ✓	SOLUTION ✓ ✓
PERFUMES Direct labour cost, Increased (from R30) to R40 (by R10 / 33,3%) OR Selling and Distribution Increased (from R10) to R18 (by R8 / 80%)	Monitor overtime / Set targets for normal time Train workers to improve efficiency Monitor effectiveness of advertising to sales / delivery cost (use of vehicles) Tracking devices on vehicles
SHAMPOOS Direct material cost Increased (from R15) to R25 (by R10 / 66,7%)	Change suppliers / Look for cheaper suppliers / Monitor wastage / look for alternative transport and storage / buy as required or to orders received.

6

1.3.2 Provide a calculation to prove that the break-even point of 26 250 units for perfumes in 2020 is correct.

$$\frac{(36,75 \times 30\,000) \text{ two marks}}{1\,102\,500 \text{ ✓✓}} = 26\,250 \text{ units}$$

$$\frac{150 \text{ ✓} - 108 \text{ ✓}}{42 \text{ two marks}}$$

OR	Sales	total fixed costs	variable costs	= profit/loss
	(150 x 26 520)	(36,75 x 30 000)	(108 x 26 250)	
	3 937 500	- 1 102 500	- 2 835 000	= 0

4

1.3.3 Comment on the break-even point and level of production for perfumes. State TWO points with figures.

TWO points (with figures) ✓✓ ✓✓ compare BEP with level of production
 Point 1: current year Point 2: reference to previous year

- In 2020, the business produced 3 750 units above the BEP (30 000 – 26 250) / made a profit on 3 750 units (two marks)
- In 2019, the business made a profit on 14 800 (35 000 – 20 200) units, but on only 3 750 units in 2020 (four marks)
- The BEP increased by 29,9% (from 20 200 to 26 250) but production decreased by 14,3% from 35 000 to 30 000. (four marks)

Part marks for comparing only BEP or comparing only level of production

4

TOTAL MARKS

45

QUESTION 2**2.1 DEBTORS' RECONCILIATION****2.1.1 CORRECTIONS TO THE DEBTORS' CONTROL ACCOUNT: 30 SEPTEMBER 2020**

Balance before errors and omissions	100 310
(i)	– 3 600 ✓
(ii)	+ 2 760 ✓
(iii)	+ 230 ✓
(iv) <small>Must indicate that there was no change e.g. (-)</small>	No change / 0 ✓
(v) <small>no part-marks</small>	– 2 700 ✓✓ – 6 300 + 3 600
(vi)	+ 2 000 ✓
Correct balance of Debtors' Control Account	99 000 ✓ <small>one part correct</small>

8

Mark independently from 2.1.2Accept brackets**2.1.2 DEBTORS' LIST ON 30 SEPTEMBER 2020**

D Dlamini	27 000 – 2 700 ✓ (– 6 300 + 3 600) one marks	24 300 ✓
G Swardt	22 470 + 230 ✓	22 700 ✓
N Nomandla	17 600 – 2 800 ✓✓ or –1 400 – 1 400 one mark one mark	14 800 ✓*
L Vos	34 440 + 2 760 ✓	37 200 ✓
X Meyer	– 2 000 + 2 000 ✓	0
Correct total of Debtors' List		99 000 ✓*

11

*one part correct**2.1.3 Refer to Information C.
Calculate the % of debtors who do not comply with the credit terms.**

Workings	Answer
$\frac{61\,380 \text{ two marks} + 44\,500 \checkmark + 16\,880 \checkmark}{99\,000 \checkmark} \times 100$	OR $\frac{37\,620}{99\,000} \times 100 = 38\%.$ 100% – 38%
	62% ✓ <small>one part correct</small>

4

Refer to Information A. Identify ONE other problem with regard to the control over debtors.

ONE problem ✓✓

Debtors exceeding the credit limit (Dlamini; Nomandla) /Granting credit to debtors not complying to terms or credit limits (internal control problem)

2

Provide TWO suggestions to address the problems identified.Any TWO points ✓ ✓ accept short statements

Offer higher discounts for early payments / Add interest on overdue accounts / Monitor buying patterns of debtors / restrict further credit transactions / Send SMS reminders; timeous statements / Encourage debtors to pay by debit order or EFT / hand over to attorney or debt collector / Programme tills with customer details to detect limits

2

2.2 VAT**2.2.1 Calculate the VAT amount that is payable to SARS on 31 August 2020.**

Workings	Answer								
<p>Select one option only (do not mix lines)</p> <p>✓ ✓ ✓ ✓ ✓ ✓✓ ✓</p> <p>– 31 470 – 80 250 + 57 750 – 1 725 + 3 375 + 4 800 – 1 440</p> <p>OR</p> <p>+ 31 470 + 80 250 – 57 750 + 1 725 – 3 375 – 4 800 + 1 440</p> <p>OR</p> <p>OUTPUT: 31 470 + 80 250 – 3 375 – 4 800 = 103 545</p> <p>INPUT: 57 750 – 1 725 – 1 440 = 54 585</p> <p>OR</p> <p>OUTPUT: 31 470 + 80 250 + 1 725 + 1 440 = 114 885</p> <p>INPUT: 57 750 + 3 375 + 4 800 = 65 925</p> <p>OR</p> <table border="1"> <tr> <td>57 750</td><td>31 470</td></tr> <tr> <td>3 375</td><td>80 250</td></tr> <tr> <td>4 800</td><td>1 725</td></tr> <tr> <td>Balance 48 960</td><td>1 440</td></tr> </table>	57 750	31 470	3 375	80 250	4 800	1 725	Balance 48 960	1 440	<p>48 960 <input checked="" type="checkbox"/></p> <p>one part correct</p>
57 750	31 470								
3 375	80 250								
4 800	1 725								
Balance 48 960	1 440								

9

2.2.2 Advise the accountant on dealing with the matter of the documents submitted by Tom Smith. State TWO points.

Any TWO points ✓✓ ✓✓ part marks for incomplete / partial / unclear answers

The accountant must explain to / advise Tom:

- That he should keep business transactions separate from personal matters (business entity rule – easier to assess progress of the business)
- That this practice must stop because it is unethical and could place the business at risk (financial; reputation; image)
- To declare the errors to SARS and to pay over the amounts due before SARS discovers the fraud, and implement further fines (penalties)
- That these documents must not be used to claim input VAT, unless he decides to transfer those assets to the business (and reflected in the books).
- VAT information must be kept separately and meticulously as the business is an agent of SARS, subject to audits.
- Do not engage in this type of activity as it is tax fraud.

4

TOTAL MARKS

40

QUESTION 3**3.1****Calculate the value of the closing stock using the FIFO method.**

Workings	Answer
(250 – 90) 160 x R2 400 384 000 ✓ 110 ✓ x R2 000 220 000 ✓ one part correct (270 – amt above)	604 000 ✓ one part correct

5

Calculate the stock-holding period (in days) using the closing stock amount.

Workings	Answer
If units are used: see above $\frac{604\,000}{4\,033\,100} \times 365$ $\frac{270}{2\,190} \times 365 = 44,9 \text{ days or } 45 \text{ days}$	54,7 days ✓ one part correct; x 365 Accept 55 days

3

Calculate the % mark-up on cost.

Workings	Answer
(5 913 000 – 4 033 100) one mark $\frac{1\,879\,900}{4\,033\,100} \times 100^*$	46,6% ✓ one part correct

3

3.2.1**Compare the mark-up % achieved on each model and comment on how this has affected the sales and profitability of the two models. Quote figures or indicators.**

Comment Mentions MU% and profits / sales ✓✓ Figures Comparison ✓✓	Although the MU% of Euroclux (46,6%, see 3.1) is lower than the MU% of XS Sports (75%): <ul style="list-style-type: none"> Gross profit per watch is R858 compared to R240 (R618 more) due to the unit cost being higher; R1 842; R1 522 more (than R320) Although Euroclux has a lower sales volume (2 190 against 3 500 units) the gross profit is significantly higher (by R1 039 900; R1 879 900 – R840 000) Gross Profit as a % of sales: Euroclux: 32% XS Sport: 43%
--	---

4

3.2.2**Compare the stock-holding period for each model and the demand for each model and comment on how these affected the management of stock items of the two models. Quote figures or indicators.**

Any TWO comments (with figures) ✓✓ ✓✓	<ul style="list-style-type: none"> <u>Stock holding period</u>: Euroclux: 54,7 days (< 2 months) see 3.1(b) XS Sports: 120 days (3 months). An indication that stock of Euroclux is selling significantly faster than the XS Sports watches. <u>Demand for watches</u>: Only 270 units of Euroclux watches on hand compared to 1 381 XS Sports watches; The expensive watch is more popular / higher demand or demand for a different brand. <u>Management of stock</u>: Low demand / sales of XS sports watches results in higher stock balance (1 381 units / 40% of units sold) – possibly due to higher MU% / resulting in stock piling / cash resources tied up in stock.
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4

3.3

Calculate the value of the 270 watches using the weighted-average method.

Workings	Answer
$ \begin{array}{r} 4\,637\,100 \text{ two marks} \\ (90 \times 2\,400) \\ \hline 4\,853\,100 \checkmark - 216\,000 \checkmark \times 270 \checkmark \\ \hline 2\,460 \checkmark \\ (2\,550 - 90) \\ \hline \text{Weighted average: } 1\,885 \text{ three marks} \end{array} $	$508\,950 \checkmark$ one part correct must be $\times 270$

5

Explain the effect this would have on the gross profit. Quote figures.

Weighted average: Gross profit will be lower \checkmark by 95 050 (604 000 – 508 950) \checkmark
see figures in 3.1 (a) and 3.3 (a)

OR

FIFO: Gross profit will be higher by 95 050

2

Explain why it would not be appropriate for her to use the weighted-average method for the new watches in the future. State TWO points.

TWO points $\checkmark\checkmark \checkmark\checkmark$ part marks for incomplete / partial / unclear answers
Figures are not required, can be used to support answers

- FIFO is more realistic as prices of watches would increase over time (inflation)
- The closing stock would be valued at the most recent prices – true reflection of stock value reported on financial statements
- Generally expensive items, not purchased in bulk, or at regular intervals / WA is more suited to cheaper goods that move faster / purchased regularly.
- Higher profits may give a good public image of the business as a profitable business;
- (Tax implications if the business (or partners) pay taxes on earnings)

4

TOTAL MARKS**30**

QUESTION 4**4.1 Complete the Creditors' Payment Schedule for February 2021.**

	Credit purchases R	December 2020 R	January 2021 R	February 2021 R
December	440 000✓	198 000	132 000	88 000✓ 20% of Cr Purchases
January	320 000✓		144 000	96 000✓ 30% of Cr Purchases
February	300 000✓			135 000✓ x 50% of Cr Pur x 90%
	x 100/175			319 000 ✓ one part correct

7

4.2 Calculate the % increase expected in security costs from 1 February 2021.

Workings	Answer
$\frac{(28\,500 - 18\,000)}{18\,000} \times \frac{100}{1}$	✓ 58,3%

Calculate the % commission paid to salespersons during February 2021.

Workings	Answer
$\frac{84\,000}{525\,000} \times \frac{100^*}{1}$	one part correct ✓✓ 16%

* is NOT one part correct

Calculate the water and electricity budgeted for December 2020.

Workings	Answer
$\frac{18\,600}{1} \times \frac{100}{124}$	✓ R15 000

Calculate the loan repayment to be made on 31 December 2020.

Workings	Answer
$\frac{9\,375 - 8\,125}{1} \times \frac{100}{12,5} \times \frac{12}{1}$ <p>Be alert for alternative calculations e.g. Loan x 12,5% x 1/12 = 1 250</p>	$\frac{9\,375 \times 12 \div 0,125 - 8\,125 \times 12 \div 0,125}{1}$ <p>900 000 – 780 000 two marks one mark</p> <p>1 250 x 12 ÷ 0,125</p>
	R120 000 ✓ one part correct

12

4.3

Comment on the control of packing materials. Quote figures or calculations.

Explanation (including a comparison with **sales**) ✓✓ with figures / calculations ✓

Has not been well controlled because:

- Sales were 18,4% under budget, yet packing materials were 3,6% over the budget / should have spent less than budgeted due to low sales
- Packing materials were budgeted at 4,5% of sales, yet the actual figures reflects 5,7% of sales.

For 2 mark: (no use of percentages / or amounts)

Sales were R90 000 under budget, yet packing materials were R800 over budget.

Comment on the control of consumable stores. Quote figures or calculations.

Explanation (including a comparison with **fee income**) ✓✓ with figures / calculations ✓

Has been well controlled because:

- Fee income was 48,2% above budget, yet consumable stores were only 6,1% over budget
- Consumable stores were budgeted at 28,8% of fee income, yet the actual figures reflect only 20,6%

For 2 mark: (no use of percentages / or amounts)

Fee income was R31 000 above budget yet consumable stores were only R1 500 over budget.

6

4.4

Give ONE reason why he did not want to stop paying salaries and wages.

ONE valid reason ✓✓ **part marks for incomplete / partial / unclear answers**

- He does not intend to close down or down-size / uncertain future
- He is concerned about the survival of his employees (loyalty)
- He does not want to re-train new people when he re-opens
- Consider implications of their contracts (legal issues)

2

Identify ONE other payment in the list in Information D that he would not have been able to stop and give a reason.

Any 1 of: ✓ Security / insurance / loan repayments and interest on loan

Reason: ✓ **relevant to the payment item listed**

To prevent vandalism / reduce risk to the business / already finances infrastructural activities that need to continue / contracts in place

2

Identify ONE payment in the list in Information D that he would have stopped and give a reason.

Any 1 of: ✓ Packing material / consumable stores / commission / water and electricity (if he closed shop / worked from home)

Reason: ✓

All items depend on either sales or fee income which do not exist during this period.

2

4.5

Apart from generating more sales or having the use of the vehicle, state TWO advantages of EACH option.

TWO advantages of Option X (buy the vehicle):

TWO valid points ✓ ✓ **accept short answers; figures not necessary**

- He owns the asset, which will contribute to long-run productivity;
- Enhances the value of the business
- Less reliance on public transport – time delays
- Monthly repayments on loan and interest are lower than lease charges;
- He would get a maintenance plan with the new vehicle; more reliable
- He could pay off the loan quicker in order to save on interest.

TWO advantages of Option Y (hire/lease the vehicle):

TWO valid points ✓ ✓ **accept short answers; figures not necessary**

- The owner (Sentinel Ltd) would be responsible for repairs; basic maintenance; servicing.
- Sentinel Ltd must insure the vehicles (pay monthly insurance)
- The lease charges (expense) are a tax deductible expense
- No need to take out a loan / No interest charges
- No need to use his investments.

4

TOTAL MARKS
35

TOTAL: 150