

SA's Leading Past Year

Exam Paper Portal



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

Thank You for Supporting SA Exam Papers

Your Leading Past Year Exam Paper Resource Portal

Visit us @ www.saexampapers.co.za



**SA EXAM
PAPERS**



Province of the
EASTERN CAPE
EDUCATION

NATIONAL SENIOR CERTIFICATE

GRADE 12

2021 PRE-TRIAL EXAMINATION

ACCOUNTING P2 MARKING GUIDELINE

MARKS: 150

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).
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. Where penalties are applied, the marks for that section of the question cannot be a final negative.
8. 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.
9. In awarding method marks, ensure that candidates do not get full marks for any item that is incorrect at least in part.
10. Be aware of candidates who provide valid alternatives beyond the marking guideline.
11. Codes: f = foreign item; p = placement/presentation.

This marking guideline consists of 9 pages.

QUESTION 1:

1.1

1.1.1	C	✓
1.1.2	D	✓
1.1.3	A	✓
1.1.4	B	✓

4

1.2 LULUZA ACCESSORIES

1.2.1 Calculate: DIRECT LABOUR COST

$4 \times 1\,520 \times 45 = 273\,600$ ✓✓ one part correct
 $220 \times 72 = 15\,840$ ✓ one part correct

Total: 289 440 ✓ one part correct

6

1.2.2 Factory Overhead Cost

Total	163 360
Indirect labour 48 000 x 20%	+ 9 600 ✓✓
Indirect material	– 1 640 ✓✓
Insurance 24 900 / 5	+ 4 980 ✓✓
Water and electricity – 45 600 + 27 360	– 18 240 ✓✓
Operation One part correct	158 060 ✓

9

1.2.3 Production Cost Statement on 29 February 2021

Raw material cost (23 450 + 367 400 – 28 350)	362 500 ✓✓
Direct labour cost	289 440 ✓
Prime cost operation (DMC + DLC)	651 940 ✓
Factory overhead cost check Note above	158 060 ✓
Total manufacturing cost Operation	810 000 ✓
Work in progress (opening balance)	25 500
Operation	835 500 ✓
Work in progress (closing balance) Balancing figure	(38 000) ✓
Total cost of production of finished goods 27 500 x 29	797 500 ✓✓

10

1.3 SALLY'S SECURITY GATES

1.3.1 Calculate the break-even point

$$\frac{136\,800 \checkmark}{860 \checkmark - 590 \checkmark} = 507 \text{ units } \checkmark \text{ One part correct}$$

270 two marks

4

1.3.2 Comment on the break-even point and the level of production achieved. Quote figures.

Comparison of the BEP with the level of production ✓✓ (with figures) ✓

Refer to workings in 1.3.1

- The business was not able to break even during the current year (BEP: 507 units / produced 480 units).
 - Ended up making a loss on 27 units
- ONE-mark option:
- The business produced less units this year (540 in 2020 / 480 in 2021)

3

1.3.3 Provide TWO reasons for the increase in direct material cost and suggest ONE way in which Sally can control this cost.

REASON Any TWO: ✓ ✓	SUGGESTION ✓✓
<ul style="list-style-type: none"> • Wastage due to poor workmanship • Theft of material • Price increase due to inflation • Additional transport costs • Scarcity of material 	<ul style="list-style-type: none"> • Train and supervise workers to minimise wastage. • Control stock regularly to identify shortages. • Look for cheaper suppliers without compromising quality. • Negotiate transport and delivery discounts. • Take advantage of bulk discounts.

4

TOTAL
MARKS

40

QUESTION 2:**2.1 Creditor's Reconciliation****2.1.1**

NO	CREDITOR'S LEDGER ACCOUNT BALANCE	STATEMENT BALANCE
Balance	36 100	42 300
(i)		+ 900 ✓✓
(ii)		– 400 ✓
(iii)	+ 1 250 ✓	
(iv)	– 1 400 ✓✓	
(v)	+ 1 850 ✓	
(vi)		– 5 000 ✓
TOTAL	37 800 <input checked="" type="checkbox"/> *	37 800 <input checked="" type="checkbox"/> *

10

Marks awarded for correct sign with amount. Accept the use of brackets for negative amounts
-1 for foreign entry on each line; * one part correct; must include opening balance.

2.1.2

As internal auditor, what advice would you offer the owner regarding the purchase of goods through the business accounts. Provide TWO points.

TWO valid explanation ✓✓ ✓✓ (one point must include GAAP principle)

- The owner should not use the business accounts for private use. Business entity principle.
- Private use is always recorded as drawings.
- The business accounts will be distorted and not reflect the correct information of the operation of the business.

4**2.2 DEBTORS AGE ANALYSIS****2.2.1**

Calculate the % of debtors balances that complies with the credit terms of 60 days allowed by Norma Traders.

$$\frac{(16\,786 + 32\,809) - 49\,595}{76\,300} \times 100 = 65\% \quad \text{One part correct}$$

3

2.2.2 Explain TWO concerns that are revealed by the Debtors Age Analysis.

TWO valid points ✓✓ ✓✓

35% of debtors do not comply with credit terms / are slow payers
 12% or R9 156 are more than 90 days overdue – risk of bad debts

4

2.2.3 Norma offers discounts to debtors who pay their accounts on time. Suggest TWO other internal control measures that she can use to improve collection from debtors.

TWO valid points ✓✓ ✓✓

- She can charge interest on overdue accounts
- Early reminders (statement / SMS)
- Incentives such as gift vouchers
- Restrict further purchases when minimum payments are not made.

4

2.3 VALUE ADDED TAX (VAT)

Insert POSITIVE amounts only. Details not required.

VAT CONTROL	
INPUT VAT	OUTPUT VAT
36 750 ✓✓	3 870
930 ✓	51 750 ✓
1 470 ✓✓	510 ✓
	1 740 ✓
	720 ✓
39 150	58 590

**Amount
Receivable / Payable**19 440 ☒ One part correct

10

**TOTAL
MARKS****35**

QUESTION 3:**3.1 INVENTORY VALUATION****3.1.1 Calculate the following for the financial year ended 31 August 2021:**

<p>Value of the closing stock (using the weighted average method)</p> <p>190 905 six marks $\frac{24\,155 \checkmark + 170\,700 \checkmark - 1\,550 \checkmark\checkmark - 2\,400 \checkmark\checkmark}{(185 + 1\,175 - 10 - 15) \checkmark\checkmark} \times 230 = 32\,890 \checkmark$ <small>(155 x 10) (160 x 15)</small> 1 335 two marks</p>	<div></div> <div>9</div>
<p>Cost of sales</p> <p>See 3.1.1 See 3.1.1 $190\,905 \checkmark - 32\,890 \checkmark = 158\,015 \checkmark$ one part correct</p>	<div></div> <div>3</div>
<p>Gross profit % achieved</p> <p>(244 575 – 158 015) two marks $\frac{86\,560 \checkmark\checkmark}{158\,015 \checkmark} \times 100 = 54,8 \text{ or } 55\% \checkmark$ One part correct</p>	<div></div> <div>4</div>

3.1.2 Piet has experienced problems with stock theft and has installed a security camera. Despite this, he is sure that calculators were stolen.

<p>Calculate the number of units missing.</p> <p>$1\,335 \checkmark - 1087 \checkmark - 230 \checkmark = 18 \checkmark$ One part correct 248 two marks</p>	<div></div> <div>4</div>
<p>Provide another control measure that Piet can use to solve the problem of stock theft.</p> <p>ONE suggestion ✓✓</p> <ul style="list-style-type: none"> • Perform random physical stock-counting. • Have security check points at exits. • Insert security disks/chips on products to be cleared at the tills 	<div></div> <div>2</div>

3.1.3 Comment on the stock holding period of 66 days. Provide TWO points.

TWO points ✓✓ ✓✓

Argument for:

- Calculators are durable items that could be stocked for a long time.
- They will always be needed by schools / learners
- Business could take advantage of price increases – higher selling price / or sell at a discounted price to attract customers
- Extra stock will be handy in high demand times (beginning of year)

Argument against:

- Technological changes may cause some calculators to become outdated.
- Children may not be interested in older models (image)
- May end up being obsolete

4

3.3 PROBLEM SOLVING:

	PROBLEM IDENTIFIED (with figures) Identifying problem ✓ ✓ ✓ Quoting figures ✓ ✓ ✓	ADVICE OR SOLUTION One valid point ✓ ✓ ✓
OXFORD STREET Any ONE	High stock of bags; 100 opening and 102 closing stock; Sizwe continue to supply 150 although they have stock High mark-up 137.5%; may cause low demand Fraser is given a fixed allowance of R1 200 although he is not performing	Provide stock according to sales figures/demand. Transfer stock to other stall – shows better sales Reduce mark-up in this section to improve turnover Pay according to sales volume (commission) to motivate the assistant Advertise – make pamphlets
BUFFALO STREET Any TWO	Missing stock: $250 - 204 - 38 = 8$ bags Money missing: $204 \times 95 = R19\ 380 - 16\ 380$ $= R\ 3\ 000$ Andi may be demotivated by being paid the same as Fraser R1 200	Daily check of stock; stock count; Improve security; make Andi accountable – he may be more vigilant Collect more regularly – randomly to discourage rolling over of cash Pay according to sales; commission

9

TOTAL
MARKS

35

QUESTION 4:**4.1.1 Explain why depreciation does not appear in a cash budget.**

Valid explanation ✓✓

Depreciation is a non-cash expense / imputed expense.
It does not involve a flow of cash.

2

4.1.2 Explain why a cash budget is an effective internal control mechanism. Provide ONE reason

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

- It helps to plan receipts and payments. / keep track of bank / cash balance
- It highlights payments (expenses) that are not well controlled.
- It helps to ensure that cash is available for essential payments.

2

4.2 FRANK (PTY) LTD**4.2.1**

MONTHS	CREDIT SALES R	JULY R	AUGUST R	SEPTEMBER R
May	108 000	27 000		
June	111 600	33 480	27 900	
July	115 200	46 080	34 560	28 800 ✓✓
August	122 400		48 960	36 720 ✓✓
September	127 800			51 120 ✓✓
Total collection from debtors			111 420	116 640 ☑ One part correct

7

4.2.2

	WORKINGS	ANSWER
(a)	Rent income: $19\,135 \times 100/107,5$	17 800 ✓✓
(b)	Cash purchases of stock: $142\,000 \times 20\%$	28 400 ✓✓
(c)	Payment to creditors: 108 800 $(136\,000 \times 80\%) \checkmark \times 95\% \checkmark$	103 360 <input checked="" type="checkbox"/> One part correct
(d)	Repayment of loan $(2\,600 - 2\,275)$ $\frac{325 \checkmark}{13\% \checkmark} \times 12 \checkmark$ or $(2600 / 13\% \times 12)$ $(2\,275 / 13\% \times 12)$ 240 000 - 210 000 two marks one mark	30 000 <input checked="" type="checkbox"/> One part correct
(e)	Ordinary share dividends $412\,500/5,50$ $520\,000 \checkmark + 75\,000 \checkmark \checkmark$ 595 000 $\times 0,12 \checkmark$	71 400 <input checked="" type="checkbox"/> One part correct

4.2.3

Provide TWO reasons why the company decides to spend money on staff training.

TWO valid reasons ✓✓ ✓✓

- The company must be able to show that they are committed to the growth and development of the society that supports its venture (the triple bottom line).
- Giving back to society.
- Involvement in economic growth.
- CSR and the King code requires companies to invest in their communities.

4

4.2.4

	EXPLANATION / REASON (with FIGURES)
Deviation in Sales figures ✓✓ explanation ✓ figures	Sales lower than budgeted by 42 240 (22%) Drastic drop in cash sales (39 360; 51,3%); slight drop in credit sales 2 880; 2,5%. Economic factors cause people to buy more on credit.
Effectiveness of Advertising ✓✓ explanation ✓ figures	Spent R200 more than budgeted, R9 800; but it was not effective as sales dropped by 22% / Although a small variance, it did not result in high sales.
Control over the Delivery Expenses ✓✓ explanation ✓ figures	Although amount spent is less than budgeted by 1 670, sales dropped by 22%, this dropped by 8% / Delivery expenses is budgeted at 11% of sales; the actual is 13% of actual sales.

9

TOTAL MARKS

40

TOTAL: 150