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GRADE 12

ACCOUNTING P1

MARKING GUIDELINES

SEPTEMBER 2022

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. 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.
9. Operation means 'check operation'. 'One part correct' means operation and one part correct. Note: check operation must be +, -, x, ÷, or per memo.
10. In calculations, do not award marks for workings if numerator & denominator are swapped – this also applies to ratios.
11. 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 ☒.
12. Be aware of candidates who provide valid alternatives beyond the marking guideline. Note that one comment could contain different aspects.
13. Codes: f = foreign item; p = placement/presentation.

These marking guidelines consist of 10 pages.

QUESTION 1: CREDITORS' RECONCILIATION AND MANAGEMENT OF CASH

(30 marks; 20 minutes)

1.1 CREDITORS' RECONCILIATION

1.1.1

	Creditors' Ledger account of Blue Suppliers	Statement received from Blue Suppliers
Preliminary balance/total	R29 375	R34 770
(i)		- 375✓✓
(ii)		- 1 500✓✓ (-750 – 750) (one mark each)
(iii)	- 500✓✓	
(iv)	+ 1 800✓✓ (9 700 – 7 900) (two or 0)	
(v)	- 12 500✓	
(vi)	+ 6 320✓	
(vii)		- 8 000✓
		- 400✓
Correct balance/total	24 495✓*	24 495

* for both totals Opening balance/total have to be included

13

1.1.2

Calculate the average creditors' payment period (in days).

114 000 three marks
 $\frac{1}{2} \checkmark (100\,000 \checkmark + 128\,000 \checkmark) \times 365$
 $\frac{832\,200 \checkmark}{114\,000} \times 365$
 $\frac{832\,200}{114\,000} \times 365$
 50 days ✓ One part correct and MUST be multiplied by 365

5

1.1.3

Provide TWO internal control measures which can be implemented to have a good internal control over creditors.

Any TWO ✓✓✓✓

- Internal audits can minimise possibility of fraud
- Check documents to ensure accuracy of entries
- Proper authorisation for purchases
- Ensure creditors are paid on time to qualify for discounts / to maintain a good credit rating
- Make full use of credit terms to assist cash flow

4

1.2 MANAGEMENT OF CASH

1.2.1	Provide TWO concerns the owner should have regarding these outstanding deposits.
	Any TWO ✓✓✓✓ Possible theft/ fraud Rolling of cash

4

1.2.2	Provide TWO solutions to ensure that this does not happen again.
	Any TWO ✓✓✓✓ <ul style="list-style-type: none"> • Cash to be deposited daily OR cash collected daily by security company • Separation of duties • Encourage EFTs for debtors and other account-paying clients

4

TOTAL MARK
30

QUESTION 2: COST ACCOUNTING

(50 marks; 40 minutes)

2.1 ADVANCED MANUFACTURERS

2.1.1 Production Cost Statement for the year ended 30 April 2022.

Direct labour cost	2 150 880
Direct material cost (112 800✓ + 1 665 000✓ - 63 000✓ - 175 680✓)	1 539 120 ✓*
Prime cost	3 690 000 ✓
Factory overhead cost (1 405 350✓ + 40 950✓✓ - 36 300✓✓)	1 410 000 ✓
Total manufacturing cost	5 100 000 ✓*
Work-in-progress (1 May 2021)	426 000
	5 526 000 ✓
Work-in-process (30 April 2022)	(261 000) ✓*
Cost of production of finished goods	5 265 000 ✓✓

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2.1.2 Abridged Statement of Comprehensive Income (Income Statement) for the year ended 30 April 2022.

Gross profit	3 750 000
Selling and distribution cost (1 829 550 ✓ + 14 520 ✓✓)	(1 844 070) ✓
Administration cost (1 331 850 ✓ - 40 950 ✓✓ sien 2.1.1 + 21 780 ✓✓)	(1 312 680) ✓
Net profit	593 250 ✓*

10

2.2 UNIT COST AND BREAK-EVEN

2.2.1	Explain the difference between <i>fixed costs</i> and <i>variable costs</i>.
	<p>Any valid explanation ✓✓</p> <p>Fixed cost remains the same irrespective of the number of units produced.</p> <p>Variable cost varies in direct proportion to the number of units produced.</p>

2

2.2.2	<p>Calculate the break-even point for 2022.</p> <p>240 000 one mark x R16,20 one mark</p> <p><u>3 888 000✓✓</u></p> <p>53,40✓ – 34,80✓</p> <p>18,60 two marks</p> <p>209 032,2 → 209 033 units ✓</p>
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5

2.2.3	<p>Comment on the break-even point and the level of production for 2021 and 2022. Quote figures.</p> <p>Comment and compare BEP with Production for 2021 ✓✓ figure ✓</p> <p>Comment and compare BEP with Production for 2022 ✓✓ figure ✓ see 2.2.2</p> <p>In 2021 the break-even was 195 000 and 195 000 were produced and sold.</p> <p>The business broke even / no profit, and no loss was made.</p> <p>In 2022 the break-even was 209 033 units (See 2.2.2) and 240 000 units were produced and sold.</p> <p>The business made a profit on 30 967 units.</p>
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6

2.2.4	<p>Identify the variable cost which the owner should be concerned about. Explain and provide a calculation to support your answer.</p> <p>Direct labour cost ✓ increased by 15,7% (1,65/10,50) or by 1,65. ✓</p> <p>Direct labour cost increased by more✓ than the inflation rate of 6%. ✓</p> <p>OR: Accept Selling and distribution cost decreased by 54c – could affect sales in the future / competitors may enter the market</p>
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4

2.2.5	<p>Even though there was a decrease in the fixed costs per unit, the owner is still not satisfied with the control over fixed costs. Explain and provide calculations to support his concern.</p> <p>Explanation of economies of scale ✓✓</p> <p>Comparative figures quoted ✓✓</p> <p>In 2021 total fixed cost was R3 217 500(195 000 x R16,50) and</p> <p>In 2022 total fixed cost was R3 888 000 see 2.2.2</p> <p>OR</p> <p>Total fixed cost increased by R670 500 or by 20,8%.</p> <p>Total fixed cost is expected to remain fairly constant (or unchanged) irrespective of the number of units produced – within limits.</p>
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4

2.2.6	Give ONE possible reason for the decrease in the selling and distribution cost.
	<p>Any ONE valid explanation ✓✓</p> <p>More effective or local advertising</p> <p>Sales on commission base instead of fixed salary</p> <p>Cheaper deliveries</p>

2

TOTAL MARK
50

QUESTION 3: INVENTORIES

(35 marks; 30 minutes)

3.1 INVENTORY VALUATION

3.1.1	<p>Calculate the value of closing stock on 28 February 2022.</p> $\frac{63\,140 \checkmark + 328\,330 \checkmark - 3\,740 \checkmark - 2\,900 \checkmark \checkmark}{412 \checkmark + 2\,010 \checkmark - 22 \checkmark - 20 \checkmark} \times 320$ <p>5 marks $\frac{384\,830}{2\,380} \times 320$ 4 marks</p> <p>9 marks $161,69 \times 320$</p> <p>= R51 740,80 Accept R51 741 <input checked="" type="checkbox"/> Must be x 320</p>
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10

	<p>Calculate the gross profit for the year ended 28 February 2022.</p> <table> <tr> <td>Sales (1 986 x R220)</td><td>436 920 <input checked="" type="checkbox"/><input checked="" type="checkbox"/></td></tr> <tr> <td>Cost of sales (384 830 <input checked="" type="checkbox"/> - 51 741 <input checked="" type="checkbox"/>)</td><td>(333 089) <input checked="" type="checkbox"/></td></tr> <tr> <td>Gross profit</td><td>103 831 <input checked="" type="checkbox"/> one part correct</td></tr> </table>	Sales (1 986 x R220)	436 920 <input checked="" type="checkbox"/> <input checked="" type="checkbox"/>	Cost of sales (384 830 <input checked="" type="checkbox"/> - 51 741 <input checked="" type="checkbox"/>)	(333 089) <input checked="" type="checkbox"/>	Gross profit	103 831 <input checked="" type="checkbox"/> one part correct
Sales (1 986 x R220)	436 920 <input checked="" type="checkbox"/> <input checked="" type="checkbox"/>						
Cost of sales (384 830 <input checked="" type="checkbox"/> - 51 741 <input checked="" type="checkbox"/>)	(333 089) <input checked="" type="checkbox"/>						
Gross profit	103 831 <input checked="" type="checkbox"/> one part correct						

6

3.1.2	<p>What advice can you offer Claude in this regard? State TWO points.</p> <p>Any TWO valid points <input checked="" type="checkbox"/><input checked="" type="checkbox"/> <input checked="" type="checkbox"/><input checked="" type="checkbox"/></p> <p>He should explain to Nelson that it is unethical to favour family/friends to the disadvantage of the business. There should be policies in place to make sure all employees understand and abide. Best quality and prices should always be a priority for the business.</p>
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4

3.2 MANAGEMENT OF STOCK (PROBLEM SOLVING)

3.2.1	Provide a calculation to prove that sun hats are being stolen.
	<p>412 ✓ + 1 968 ✓ - 320 ✓ - 1 986 ✓ = 74 <input checked="" type="checkbox"/> one part correct</p> <p>Give TWO points of advice to Claude.</p> <p>Any TWO valid points ✓✓ ✓✓</p> <p>Improve security/ security guards/ security tags on hats Restrict access to storeroom Order smaller quantities, more often/ order as needed Regular stock count and check against records</p>

9

3.2.2	Claude is unsure whether he is charging the correct prices for the sunglasses and the beach bags.	
	Give him advice on EACH product. Quote figures.	
	PRODUCT	ADVICE WITH FIGURES
		Any valid advice ✓✓ ✓✓ Figures ✓✓
	Sunglasses	Mark-up of 25% is deemed as reasonable by buyers. Selling price of R3 438 acceptable for buyers. 1 850 units are sold. Stock holding period is 52 days. Closing stock only 280 units.
	Beach bags	Mark-up of 80% is deemed as too high by buyers. Selling price of R702 is not acceptable for buyers. Only 740 units are sold. Stock holding period of 163 days/ way too long Closing stock of 420 units are too high. If mark-up % is reduced, sales may increase.

6

TOTAL MARK
35

QUESTION 4: BUDGETS AND INTERNAL AUDIT PROCESSES

(35 marks; 30 minutes)

4.1

4.1.1	False✓
4.1.2	True✓
4.1.3	True✓

3

4.2.1

Calculate the missing amounts indicated by (i) and (ii) in the Debtors' Collection Schedule.

	Workings	Answer
(i)	41 250 x 38/100	15 675✓ <input checked="" type="checkbox"/> one part correct
(ii)	16 530 x 100/38 OR 25 056 x 100/60 x 100/96 OR 130 500 x 25/75	43 500✓ <input checked="" type="checkbox"/> one part correct

4

Calculate the percentage discount allowed to debtors who settle in the month of the sales transactions.

Workings	Answer
990 three marks 41 250 x 60% $\frac{24\,750✓✓ - 23\,760✓ \times 100}{24\,750✓}$ OR July: 1 152 (28 800 – 27 648) 28 800 June 1 044 (26 100 – 25 056) 26 100	4% <input checked="" type="checkbox"/> one part correct as a %, sign not necessary

5

4.2.2

Calculate budgeted amounts:

	Workings	Answer
Total sales for July 2022	48 000✓ + 144 000✓ OR 48 000 x 100/25 OR 144 000 x 100/75	192 000 <input checked="" type="checkbox"/> one part correct
Payment to creditors during June 2022	123 750 + 41 250 of 41 250 x 100/25 of 123 750 x 100/75 165 000✓ x 100/75✓ x 80%✓ OR 22 000 x 80/20 one mark two marks	88 000 <input checked="" type="checkbox"/> one part correct
Additional loan to be acquired on 1 June 2022	(7 500 – 600) 1 500✓ x 100/20✓ x 12✓ OR 1 500 x 12/20% one mark OR 450 000 – 360 000 two marks Be aware of alternative ways to calculate this figure	90 000 <input checked="" type="checkbox"/> one part correct

11

4.2.3

The directors did not adhere to the Cash Budget during May 2022. Identify TWO overpayments in May 2022. Provide figures. Give a valid reason for EACH overpayment identified, to support their decisions.

	Overpayment (with figures)	Reason
Point 1	Advertising✓ Paid R8 4000 or R2 800 more than budgeted or 50% over the budget✓	Wanted to increase sales✓ OR Special clearance sales required greater advertising
Point 2	Vehicle maintenance✓ Paid R36 350 or R24 150 more than the budgeted or 198% over the budget✓	To get a reasonable price when vehicle was sold / in order to use vehicle until replaced. ✓ OR Vehicles are old or damaged OR Used more frequently for free deliveries to increase sales.

6

4.2.4

Why are the auditors concerned that the agreement with Tradecor is unethical or possibly a crime? Explain THREE points.

Any THREE valid concerns ✓✓ ✓✓ ✓✓ Part marks for incomplete / partial / unclear responses

- The property was sold at carrying value (which is original cost / historical cost concept)
- Property appreciates in value and should be have been sold at a market-related price.
- The company could have benefitted from a large profit on sale of asset and an improved profitability.
- Total assets are depleted / valuable asset disposed
- Corruption / under-handed / unethical deal to enrich CEO and his wife (nepotism); no transparency or involvement of the Board of Directors in his decision.
- Consciously placing the business at financial risk / cash flow problems due to rent of R26 000 per month that must be paid and not budgeted for.

6

TOTAL MARK

35

GRAND TOTAL

150