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SENIOR CERTIFICATE EXAMINATIONS/ NATIONAL SENIOR CERTIFICATE EXAMINATIONS

ACCOUNTING P2 MARKING GUIDELINES 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. 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 VAT****1.1.1 Give ONE reason why Chuckles decided to register for VAT.**

ONE valid reason ✓✓

part marks for incomplete / partial / unclear responses

- He will be able to claim VAT input from SARS / He supports or pays VAT for most of his purchases / He wants to benefit from input VAT on certain expenses or assets that he buys.
- He sells goods that are subject to standard rate VAT (15%)
- VAT collections will earn interest for a period of time
- Should his turnover exceed R1 000 000, he does not have to worry about being penalised by SARS for not complying (compulsory registration)
- He expects his business to grow and will be compelled to register.
- Responsible citizen – collect tax for SARS – improve the economy

Do not accept benefit to his cash flow

2

1.1.2 Calculate the amount of VAT that is payable to SARS for the two-month period ended 30 April 2022.

Period ended 30 April 2022

WORKINGS	ANSWER																
<p>Mark ONE option only. Inspect to award candidate maximum benefit Be aware of alternative correct permutations of items of input / output</p> <p>✓ ✓✓ ✓✓ ✓ ✓ ✓</p> <p>2 600 + 8 850 – 11 400 – 1 200 + 2 820 – 3 360</p> <p>OR</p> <p>– 2 600 – 8 850 + 11 400 + 1 200 – 2 820 + 3 360</p> <p>OR</p> <table> <tr> <th colspan="2">VAT CONTROL</th> </tr> <tr> <td>2 600</td> <td>11 400</td> </tr> <tr> <td>8 850</td> <td>1 200</td> </tr> <tr> <td>2 820</td> <td>3 360</td> </tr> </table> <table> <tr> <th colspan="2">VAT CONTROL</th> </tr> <tr> <td>11 400</td> <td>2 600</td> </tr> <tr> <td>1 200</td> <td>8 850</td> </tr> <tr> <td>3 360</td> <td>2 820</td> </tr> </table>	VAT CONTROL		2 600	11 400	8 850	1 200	2 820	3 360	VAT CONTROL		11 400	2 600	1 200	8 850	3 360	2 820	<p>1 690 ✓</p> <p>one part correct</p>
VAT CONTROL																	
2 600	11 400																
8 850	1 200																
2 820	3 360																
VAT CONTROL																	
11 400	2 600																
1 200	8 850																
3 360	2 820																

9

1.1.3 Chuckles uses the money collected for VAT to pay business expenses. He does not have sufficient cash to make the VAT payments on the due dates. What would you say to Chuckles? State TWO different / separate points.

Any TWO valid points ✓ ✓

could be a comment or advice:

- It is illegal / can be sued / legal action / face criminal charges / tax evasion / penalties or fines imposed by SARS, if investigated.
- It is unethical / the money does not belong to the business / agent of SARS.
- He should budget / plan / manage his expenses more effectively.
- Keep detailed records of VAT separate from business records and diarise payment dates.
- Using the money could become a bad habit / rolling of cash
- He must discontinue this practice.

2

1.2 CREDITORS' RECONCILIATION**1.2.1**

	CREDITORS' LEDGER ACCOUNT OF LAWES WHOLESALE	STATEMENT RECEIVED FROM LAWES WHOLESALE
Balance	67 870	46 590
(i)	– 750 ✓	
(ii)	+ 580 ✓	– 580 ✓
(iii)		– 900 ✓✓ (– 8 700 + 7 800) two marks
(iv)	– 1 280 ✓✓ – 640 – 640 one mark one mark	
(v)	– 11 400 ✓	
(vi)		– 1 920 ✓ – 14 720 + 12 800
(vii)	+ 1 250 ✓	
(viii)		+ 3 180 ✓
(ix)		+ 9 900 ✓
BALANCE	56 270 ✓*	56 270

* one part correct, for both total, inspect; must include opening balance

Accept brackets for – sign; if no sign assume positive;
Superfluous (foreign) entries – 1 on each line if mark/s earned on that line.
Be aware of penalties for foreign entries.

13

1.2.2 Mani feels that the creditors' clerk is not efficient in performing her duties.**Provide evidence to support his opinion.**

ONE relevant point ✓ with evidence ✓ may be explanation or figure

- Exceeding the credit limit of R45 000 (Balance is R46 590 or R67 870)
- Not abiding to credit terms of 30 days (R4 380 is > 90 days; R11 430 > 60 days)
- Poor recording of transactions, evidence such as: returns not captured (750); posting to wrong side (640); posting to the wrong account (11 400) / mention specific documents incorrectly recorded.
- Not taking advantage of discounts because of late payment (R1 250)

2

Explain how he can solve this problem.

ONE valid point ✓✓ part marks for incomplete / partial / unclear responses

- Better supervision (monitoring) through regular audit and checking records
- Keep a register of payment due dates / EFT (debit order) payments
- Divide duties such as one person does recording, another does the payments, etc, so that one person checks on the other
- Provide training for the clerk to improve bookkeeping procedures & routine tasks
- Install accounting package (application) / computer system.

2

TOTAL MARKS**30**

QUESTION 2**2.1.1 Calculate the following for the Production Cost Statement:**

WORKINGS	ANSWER	
Direct material cost \checkmark \checkmark \checkmark $\checkmark\checkmark$ $3\,000 \times 3,2\text{m} \times 105\% \times 450$ Be aware of various permutations for calculations, e.g. $9\,600 \times 105\% \times 450$ or $10\,080 \times 450$ or $3\,000 \times 3,36 \times 450$ <div style="text-align: center;">closing stock 976 500</div> or $5\,512\,500 - (2\,170 \times 450)$ <div style="display: flex; justify-content: space-around; font-size: small;"> one mark two marks two marks </div>	4 536 000 <input checked="" type="checkbox"/> one part correct	6
Direct labour cost $40 \times 9\,800 \times 12$ 4 704 000 $\checkmark\checkmark^*$ Bonus payments 210 000 $\checkmark\checkmark$ Gross wage 4 914 000 UIF (1% of gross) 49 140 <input checked="" type="checkbox"/> if 1% of gross	4 963 140 <input checked="" type="checkbox"/> *one part correct	6
Factory overhead cost TOTAL 941 500 Consumable stores 35 700 $\checkmark\checkmark$ Rent expense 248 000 $\checkmark\checkmark$ Insurance 102 060 $\checkmark\checkmark^*$ <div style="text-align: center; font-size: small;">31 500 x 108% x 3 or (31 500 + 2 520) x 3</div>	1 327 260 <input checked="" type="checkbox"/> *one part correct	7

2.1.2 Abridged Statement of Comprehensive Income (Income Statement) for the year ended 31 March 2022

Sales	18 104 000	
Cost of sales (3 000 x 3 750) one mark) $260\,000 \checkmark + 11\,250\,000 \checkmark - 195\,000 \checkmark$ + 10 826 400 m.mark see 2.1.1 (4 536 000 + 4 963 140 + 1 327 260)	(11 315 000) <input checked="" type="checkbox"/> 10 891 400	
Gross profit Sales – COS	6 789 000 <input checked="" type="checkbox"/> 7 212 600	
Operating expenses Operation	(1 670 400) <input checked="" type="checkbox"/>	
Selling and distribution cost 866 400 + 186 000	1 052 400 <input checked="" type="checkbox"/>	
Administration costs 532 200 + 23 800 <input checked="" type="checkbox"/> see FOHC (59 500 – 35 700 CS amt) + 62 000 <input checked="" type="checkbox"/>	618 000 <input checked="" type="checkbox"/>	
Net profit for the year GP – OE	5 118 600 <input checked="" type="checkbox"/> 5 542 200	11

* one part correct

2.2.1 Calculate the break-even point for shirts in 2022.

WORKINGS	ANSWER
(94,20 x 22 000) one mark $\frac{2\,072\,400}{360} - 246,60$ ✓ 113,40 two marks Mark numerator and denominator as such (Principle 11)	18 275,1 ✓ one part correct Accept 18 276 or 18 275 units; Do not accept R or c or %

4

2.2.2 Fiona has invested in new equipment to make the shoes. She knows that she has saved 10% of the fixed costs for shoes, but she cannot understand why the fixed costs per unit increased. Explain. Provide figures.

Valid explanation ✓ Figure/s ✓

- Production decreased from 21 200 units to 15 000 units / by 6 200 units / by 29,2% causing fixed cost per unit to increase from R97,80 to R117,90 / by R20,10 / by 20,6% / dis-economies of scale / fixed costs not influenced by the level of production.
- Fixed costs (FOHC) in 2021 were R1 320 760; and reduced to R1 096 500 in 2022 / difference: R 224 260 or 16,9%
Although there was a reduction in total fixed costs, the fixed cost per unit increased due to decline in production (by 6 200 units).

2

2.2.3

	COST (with figures)	SOLUTION
SHIRT Cost ✓ Figure ✓ Solution ✓	Direct labour (DLC) Increased from R110,00 to R136,70 / by R26,70 / by 24,3%	<ul style="list-style-type: none"> Train (factory) workers to be more efficient Improve supervision Reduce / control overtime / use casual, cheaper labour after hours Set targets for normal time hours (time and motion studies) Incentives / bonuses if targets met
SHOE Cost ✓ Figure ✓ Solution ✓	Selling and distribution (SDC) Increased from R35,50 to R44,80 / by R9,30 / by 26,2%	<ul style="list-style-type: none"> Reduce / monitor / look for cheaper / more effective advertising Salespersons can be assigned to other tasks when production drops Offer commission to salespersons instead of a (fixed) basic salary Outsource / reduce / monitor / insert trackers to delivery services / use cost-efficient vehicles (hybrid)
TIE Cost ✓ Figure ✓ Solution ✓	Direct material (DMC) Increased from R36,30 to R48,00 / by R11,70 / by 32,2%	<ul style="list-style-type: none"> Source cheaper suppliers (without compromising quality) Local supplier / reduce transport and storage costs Buy in bulk to take advantage of bulk discounts Use off cuts (by-products) / minimise wastage Train / supervise (factory) workers

9

TOTAL MARKS**45**

QUESTION 3

3.1

3.1.1	First-in-first-out method✓
3.1.2	Perpetual / Continuous system ✓
3.1.3	Weighted-average method✓

3

3.2 RATO COOKWARE

3.2.1

Calculate the value of closing stock of pots on 28 February 2022.

WORKINGS	ANSWER
$\frac{224\,000 \checkmark + 1\,712\,000 \checkmark}{5\,500 \checkmark} \times 980$ <p style="text-align: center;">(800 + 4 700) one mark</p> <p style="text-align: center;">Mark numerator and denominator as such (Principle 11)</p>	<p style="text-align: center;">three marks</p> 352×980 <p>R344 960 <input checked="" type="checkbox"/> one part correct & if x 980</p>

4

3.2.2 Lerato is unsure how long it will take to sell the closing stock of pots.**Provide a calculation to address her concern.**

WORKINGS	ANSWER
<p>See 3.2.1 above</p> $\frac{344\,960 \checkmark}{1\,591\,040 \checkmark} \times 365$ <p>Numerator and denominator must be Rand values</p> <p>Mark numerator and denominator as such (Principle 11) If Rand amounts are mixed with Units, award 1 mark for the numerator only; no mark on the final answer.</p>	<p>79,1 days / 2,6 months OR 83,8 days / 2,8 months <input checked="" type="checkbox"/></p> <p>one part correct. If x 365 or 12</p>

Explain whether the period calculated is acceptable, or not.

Valid explanation ✓✓

Depends on calculation above, figures not necessary

part marks for incomplete / partial / unclear responses

Possible responses for “period is Acceptable”:

Pots are durable items and can be sold in the near future / has a long shelf-life / there is always a need (demand).

Possible responses for “period is Not Acceptable”:

Consumers taste or preference may change / possibility of being replaced by later model, improved products / risk of theft or damage (need to write off) / takes up storage space.

5

3.2.3

Calculate the number of pots missing.

WORKINGS	ANSWER
<p>(800 + 4 700) one mark</p> $5\,500 \checkmark - 4\,270 \checkmark - 980 \checkmark$ <p>See 3.2.1</p>	<p>250 <input checked="" type="checkbox"/> one part correct</p>

4

3.2.4 Calculate the value of closing stock of microwave ovens.

WORKING		ANSWER
SWIFT: <div>(380 + 750 – 965)</div> <div>165 ✓<input checked="" type="checkbox"/> x 2 800 ✓</div> <div>462 000 three marks</div> <div>Opening stock purchases units sold unit cost sales gross profit</div> OR: (1 064 000 + 2 100 000) (965 x 2 800) or (4 053 000 – 1 351 000) <div>3 164 000 one mark – 2 702 000 two marks</div>		<div>three marks three marks</div> <div>462 000 + 1 056 000</div>
DELTA: <div>(430 + 600 – 120 – 580)</div> <div>330 ✓<input checked="" type="checkbox"/> x 3 200 ✓</div> <div>1 056 000 three marks</div> <div>Opening stock purchases returns units sold unit cost sales gross profit</div> OR: (1 376 000 + 1 920 000 – 384 000) (580 x 3 200) or (3 248 000 – 1 392 000) <div>2 912 000 one mark – 1 856 000 two marks</div>		<div>1 518 000 <input checked="" type="checkbox"/></div> <div>one part correct</div>

Be alert to alternative methods of calculations, such as the use of cost of sales, gross profit or Trading Account format

3.2.5 TWO reasons in favour of the decision to discontinue selling the Delta model

TWO reasons ✓ ✓ figures ✓ ✓

- High returns: possibly of poor quality, 120 microwave ovens / 20% of purchases
- High closing stock / capital tied up in stock; 330 units or R1 056 000 **see 3.2.4**
- Low sales volume; only 580 of 910 (63,7%) / 385 units or R805 000 less than Swift
- Too expensive for customers (R5 600 which is R1 400 more than a Swift model)
- It is a more expensive product; R3 200 (pays R400 more than Swift)

ONE reason against the decision to discontinue selling the Delta model.

ONE reason ✓ figure ✓

- Delta stoves generates a higher gross profit of R1 392 000 (R41 000 more than Swift); higher MU% of 75% (compared to 50% for Swift) / Option to reduce selling price R5 600 (R1 400 more than a Swift model)
- Loss of high sales revenue of R3 248 000 may impact cash flow / lose the support of a select group of customers (580 units) or reducing the option for clients.

3.2.6 Identify the problem relating to the Swift microwave ovens on 6 January 2022. Quote figures.

Problem identified ✓ figure (difference of 25 mentioned or implied) ✓

75 units were delivered but 50 units was recorded on the stock card /
The stock record reflects 25 units less than the total number of units delivered.

State TWO internal control measures that the internal auditor should implement to ensure that such incidents do not occur in the future.

TWO control measures ✓✓ ✓✓ **part marks for incomplete / partial / unclear responses**

- Need for physical count and verification (check) of stock against records
- Compare / verify / check the information on order forms, delivery note and invoice before updating stock records, or sending details to the bookkeeper
- Different employees must be responsible for ordering, receiving, recording, stock control

Accept Division of duties and install cameras (CCTV) as incomplete separate responses for 1 mark each.

TOTAL MARKS**35**

QUESTION 4**4.1.1 DEBTORS' COLLECTION SCHEDULE**

MONTH	CREDIT SALES	JUNE 2022	JULY 2022
April 2022	567 000	68 040	Superfluous entry Lose method on total
May 2022	577 500	259 875	69 300 ✓✓
June 2022	598 500	227 430	269 325 ✓✓
July 2022	609 000		231 420 ✓✓
RECEIPTS FROM DEBTORS		555 345	570 045 <input checked="" type="checkbox"/> one part correct

7

4.1.2 Calculate:

award 1 mark if the entire workings are correctly shown, if the final answer is either incorrect or omitted.

WORKINGS	ANSWER
(i) Commission income in July 2022 1 015 000 ✓ x 8% ✓	81 200 <input checked="" type="checkbox"/> one part correct
(ii) Bad debts written off in July 2022 # 567 000 x 3% OR 567 000 – 549 990	17 010 ✓✓ one part correct
(iii) Salaries and wages in June 2022 # 196 980 x 100/105 OR 196 980 – 9 380	187 600 ✓✓ one part correct
(iv) Discount allowed in June 2022 # 598 500 x 40% x 5% OR 227 430 x 5/95 OR 239 400 – 227 430 OR 997 500 x 1,2/100	11 970 ✓✓ one part correct

9

4.1.3 Calculate:

WORKINGS	ANSWER
Payments to creditors in July 2022 ✓ ✓ ✓ 962 500 x 100/175 x 20% OR 550 000 – 440 000 550 000 two marks	110 000 <input checked="" type="checkbox"/> one part correct
Amount of the loan to be paid on 1 July 2022 Be alert to different methods for calculations $\frac{525 \checkmark \times 12 \checkmark}{0,14 \checkmark}$ two marks two marks OR 390 000 – 345 000 If either figure is shown as a final answer,	45 000 <input checked="" type="checkbox"/> one part correct

4

4

4.2 FRAZILA (PTY) LTD

4.2.1 Explain whether Peter should be satisfied with the actual delivery cost in April 2022, or not. Quote figures.

Explanation including a comparison with sales ✓

Figure (amount or percentage) for delivery expense ✓ Figure (amount or percentage) for sales ✓ *

* Figures may be reflected as a difference or combined in the response.

Peter should not be satisfied because

- He budgets to spend 15% of sales on delivery ($425\,250 \div 2\,835\,000$) but the actual amount spent was 18% of actual sales ($408\,240 \div 2\,268\,000$) / +3% points
- If he adhered to the budget of 15% on sales, then the actual amount spent should be R340 200 ($2\,268\,000 \times 15\%$) / R68 040 more than the budget ($408\,240 - 340\,200$)
- Actual sales were 20% or R567 000 less than budget (or by 150 stoves less) but delivery expense was 4% or R17 010 less than budget ($425\,250 - 408\,240$)
- Delivery budget per stove R567, paid R680 per stove (on average)

3

Explain whether Peter made a good decision in changing the delivery service provider to Prime Deliveries, or not. Quote figures.

Explanation including a comparison with sales ✓

Figure (amount or percentage) for delivery expense ✓ Figure (amount or percentage) for sales ✓ *

* Figures may be reflected as a difference or combined in the response.

Peter will be satisfied with the change

- He budgets to spend 15% of sales ($425\,250 \div 2\,835\,000$) but he only spent 10% of actual sales ($319\,500 \div 3\,195\,000$) in May.
- If he spent 15% of actual sales, as expected, it would have cost him R479 250 ($3\,195\,000 \times 15\%$) He made a savings of R159 750 ($479\,250 - 319\,500$)
- Actual sales exceeded the budget by 20% ($360\,000 \div 2\,835\,000$) or by 150 stoves. but delivery expense was below the budget by R105 750 ($425\,250 - 319\,500$)
- Actual sales increased by 50% (by 300 units) or by 40,1% (by R927 000), but delivery expenses dropped by 21,7% (by R88 740)
- Budgeted R567 per stove, but paid R355 on average.

3

4.2.2 Apart from changing the delivery service, identify TWO other strategies that Peter implemented in May 2022 in response to the competitor. Quote figures.

STRATEGY

1

Explanation ✓
figures
amounts or % ✓

Advertising: Budgeted R120 000, spent R192 000 / spent R72 000 more 60% more ($72\,000/120\,000$)

Adjusted composition of cash / credit sales:

- Credit sales budgeted at 50% of total sales ($1\,417\,500 / 2\,835\,000$) actual was 70% of sales ($2\,236\,500 / 3\,195\,000$) or 58% more than budgeted ($819\,000 / 1\,417\,500$) **OR**
- Sacrificed / reduced / less cash sales, budgeted 50% of sales ($1\,417\,500 / 2\,835\,000$), actual was 30% ($958\,500 / 3\,195\,000$); or 32,4% less than budgeted ($459\,000 / 1\,417\,500$)

Adjusted MU% / Reduced Selling Price:

Decreased selling price from R3 780 to R3 550 / by R230 / 6,1% /
Decreased MU% from 80% to 69%

STRATEGY

2

Explanation ✓
Figures
amounts or % ✓

4

Explain how these other strategies have affected the sales and the profit. Quote figures.

Explanation on sales ✓ figure ✓ Explanation on profit ✓ figure ✓ accept amounts or %

Total Sales:

- More than budget by 12,7% or by R360 000 (Credit sales: + 819 000; Cash sales: – 459 000)
- More than the actual amount achieved in April by R927 000 / by 40,9%
- Sold 150 units (20%) more than budgeted figure of 750 units **or** 300 more than April sales.

Gross profit:

- More than budgeted by 3,6% ($45\,000 / 1\,260\,000$)
- More than profit earned in April by 29,5% ($297\,000 / 1\,008\,000$)

4

4.2.3 Peter is confused about why the cash balances are not good despite the fact that sales increased in May 2022. Explain. Quote figures.

ONE valid point ✓ with figures ✓ accept amounts or %

The switch to more credit sales: *emphasis on low cash sales*

- Cash sales of R958 500 is less than budget by R459 000 / 32,4% less than what was expected / only 30% of the total sales.
- Cash sales is R288 900 less than April cash sales / 23,2% less.

Payments to creditors: *emphasis on the large cash outlay*

- Credit terms are 30 days, April cost of sales, R1 260 000 must be paid in May, whereas debtors would pay outstanding balances over a period, (according to payment trend).

2

TOTAL MARKS

40

TOTAL: 150