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GRADE 12

SEPTEMBER 2023

ACCOUNTING P2 MARKING GUIDELINE

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 marking guideline 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 marking guideline 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 marking guideline.
11. In calculations, do not award marks for workings if numerator and 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.

This marking guideline consists of 9 pages.

QUESTION 1

1.1 CREDITORS RECONCILIATION

	CREDITORS' LEDGER ACCOUNT	STATEMENT OF ACCOUNT
Balance b/f	52 900	108 800
(i)	– 1 800 ✓✓	
(ii)		– 1 600 ✓✓
(iii)	+ 600 ✓	
(iv)	– 860 ✓✓	
(v)		– 54 820 ✓
(vi)	+ 1 540 ✓	
	52 380	☒ 52 380

10

Brackets may be used to indicate decreases. One part correct; must include balance b/f.

1.2 BANK RECONCILIATION

1.2.1

CASH RECEIPTS	CASH PAYMENTS
76 270	88 625
500 ✓✓	2 100 ✓✓
4 600 ✓	235 ✓
7 030 ✓	1 140 ✓
88 400	92 100

Bank Account balance:

8 800 ✓ + 88 400 ☒ – 92 100 ☒ = 5 100 ☒ one part correct
 see cash receipts see cash payments

12

1.2.2 BANK RECONCILIATION STATEMENT ON 31 MAY 2023

	DEBIT	CREDIT
Balance as per statement balancing figure; could be Dr		4 800 ☒
Outstanding deposits: 19 May		11 400 ✓
26 May		10 800 ✓
Outstanding EFT No. 658	6 900 ✓	
Error on statement / incorrect deposit	15 000 ✓	
Balance as per bank account	5 100 ☒ see 1.2.1	
For both totals; must be same amount	27 000	☒ 27 000

7

1.2.3 Provide ONE suggestion on how the problem of counterfeit (fake) notes can be prevented.

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

- Instal a scanning machine at each till (infra-red light)
- Train cashiers to inspect all notes using the scanner
- Encourage card payments at the till
- Encourage EFT payment of accounts
- Start an online sales division to minimise cash-handling

2

1.2.4 Donald was concerned about the outstanding deposits. Provide TWO internal control measures that he can implement to address this concern.

TWO valid points ✓✓ ✓✓ part marks for incomplete / unclear responses

- Implement a system of regular depositing (routine)
- Place a supervisor in charge or use a cash-in-transit company to assist
- Division of duties – the person collecting and receipting cash is not the same person doing depositing
- Use the banking application to check regularly / SMS notification of all transaction with the bank.

4

TOTAL MARKS	35	
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QUESTION 2

2.1.1 FACTORY OVERHEAD COST

Sundry factory expenses	65 570
Indirect material $12\,700 + 87\,600 - 9\,300$	91 000 ✓✓*
Factory cleaning staff $48\,510 + 4\,200 + 210$	52 920 ✓✓*
Rent expense $126\,000 \times \frac{2}{3}$	84 000 ✓✓*
Water and electricity $(82\,000 + 7\,400) \times 65\%$	58 110 ✓✓*
Insurance $25\,200 \checkmark \checkmark \times \frac{4}{7}$ (33 600 x 12/16) two marks	14 400 ✓*
one part correct Must include sundry factory expenses amount	366 000 ✓

12

2.1.2 PRODUCTION COST STATEMENT ON 28 FEBRUARY 2023

Direct material cost	374 500
Direct labour cost balancing figure	432 100 ✓
PRIME COST operation	806 600 ✓
Factory overhead costs see 2.1.1	366 000 ✓
Total manufacturing cost operation	1 172 600 ✓
Work-in-progress (opening balance)	35 400
operation	1 208 000 ✓
Work-in-progress (closing balance)	(23 600) ✓
Cost of production of finished goods 10 500 x 112,80	1 184 400 ✓✓

8

2.2 FAZEL MANUFACTURERS**2.2.1 Control over raw material:**

Fazel is concerned about the wastage of material in production. Calculate the number of metres of fabric that was wasted.

WORKINGS	ANSWER
$13\ 050 \checkmark - 12\ 960 \checkmark \checkmark$ (7 200 x 1,8) two marks	90 metres ☒ one part correct

4

Provide TWO possible reasons for this wastage.

TWO valid points $\checkmark \checkmark \checkmark \checkmark$ part marks for incomplete / unclear responses

- Poor supervision in the factory (in production)
- Untrained employees – making many mistakes
- Carelessness – no consequences for poor workmanship
- Poor quality material used.

4

2.2.2 Break-even analysis:

Calculate the break-even point for the year ended 28 February 2023.

WORKINGS	ANSWER
$\frac{1\ 850\ 400 \checkmark}{580 \checkmark - 320 \checkmark}$ 260 two marks	7 117 units ☒ one part correct

4

Explain whether the business should be satisfied with the number of units made during the current financial year. State TWO points.

TWO valid points (with figures) $\checkmark \checkmark \checkmark \checkmark$ part marks for incomplete / unclear responses
 Satisfied / not satisfied is implied in the response

- The business is making a profit on 83 units (7 200 – 7 117) / produced 83 units above the break-even point (see above)
- The business has produced 450 units more than last year (7 200 – 6 750)
- They have improved from a loss last year (on 324 units) to a profit on 83 units this year.

4

Fazel is concerned about the increase of R81 900 in total fixed costs. Provide ONE reason why he should not be concerned. Quote figures.

ONE valid point $\checkmark \checkmark$ relevant figure/s (must show comparison) $\checkmark \checkmark$
 part marks for incomplete / unclear responses

- Economies of scale. Increase in production by 450 units would cause the fixed cost per unit to drop.
- The fixed cost per unit was R262 last year but dropped to R257 this year.
- Fixed costs are not related to production and should be fairly consistent. The increase is only 4,6% (within inflation).

4

TOTAL MARKS	40	
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QUESTION 3

STOCK VALUATION

3.1

3.1.1	First-in-first-out ✓
3.1.2	Perpetual ✓
3.1.3	Specific identification ✓
3.1.4	Weighted average ✓

4

3.2.1 Calculate the following for the financial year ended 28 February 2023:

Value of closing stock (using weighted average)	
WORKINGS	ANSWER
448 350 four marks $\frac{71\,040 \checkmark + 362\,500 \checkmark - 6\,150 \checkmark + 20\,960 \checkmark}{(480 + 2\,000 - 30) \checkmark \boxed{\checkmark} \text{ one part correct}}$ 2 450 two marks WA: 183 (six marks)	65 880 ☒ one part correct; Must be x 360
Number of units missing	
WORKINGS	ANSWER
2 450 ☒ - 2 050 ✓ - 360 ✓ See units in above calculation	40 units ☒ one part correct

7

4

3.2.2 Explain TWO strategies that Lyon could use to address the problem of customers stealing items.

Any TWO internal control measures ✓ ✓

- Instal cameras (CCTV security system)
- Tracking devices on products
- Physical security at the exit points
- Provide lockers for customers to keep other items before entering the shop.

2

3.2.3 The average stockholding period is 73,7 days. Explain whether Lyon should be concerned about this. Provide ONE point.

Any ONE internal control measures ✓ ✓ be alert to valid responses for and against.

Options for not being concerned:

Durable product / can be easily sold in the future / has a long shelf-life / always in demand to certain customers / does not take lot of storage space.

Options for being concerned:

Money is tied up in stock / takes up valuable storage space that can be used for other stock items / slow sales results in slow inflow of cash / the items may become less-fashionable in future.

2

3.2.4 Calculate the cost of sales on laptop bags.

WORKINGS	ANSWER
COST OF SALES:	
112 x 680 = 76 160 ✓✓ one part correct	278 560 ✓
220 x 920 = 202 400 ✓✓ one part correct	one part correct

5

3.2.5 Lyon was confused as to why the Coma bag sales are better than Komfi. Provide TWO possible reasons.

Any TWO valid reasons ✓✓ ✓✓ part marks for incomplete / unclear responses

- It is possible that the Coma is more attractive / value for money.
- The product appeals to a select clientele/ more popular.
- Coma is more versatile (more space/pockets) and therefore a more popular choice.

4

VAT**3.3.1 Calculate the VAT amount payable to SARS on 30 April 2023.****NOTE: The given errors and omissions must be taken into account.**

WORKINGS	ANSWER
✓ ✓ ✓ ✓✓ ✓✓ ✓✓ 12 750 + 63 450 – 21 900 + 645 – 3 750 – 1 920	49 275 ✓ one part correct
Accept alternative presentations such as signs reversed, ledger format, input / output totals	

10

3.3.2 Offer ONE point of advice to Benjamin and an explanation or reason to support the advice.

ADVICE ✓	REASON ✓
• He must keep separate records for VAT and pay this on time • Should not use VAT money as a business resource • Must budget for business expenses and manage the liquidity with funds earned by the business.	• VAT is collected on behalf of SARS • Money does not belong to the business • Could run into liquidity problems • Defaulting with VAT is a crime • The business can be sued • The image of the business will be compromised • Could lose customers.

2

TOTAL MARKS	40	
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QUESTION 4

4.1. List TWO items that would not appear on a Cash Budget.

Any TWO non-cash items ✓ ✓

Example:

depreciation / bad debts / discount allowed / discount received / trading stock deficit or surplus / provision for bad debts adjustment

2

4.2 Calculate:

Be alert to alternative methods for calculations

WORKINGS	ANSWER
(i) Cost of sales: September 2023 140 000 x 110% OR 246 400 x 100/160	154 000 ✓✓ (2)
(ii) Rent income: August 2023 16 340 ✓ x 100/107,5 ✓	15 200 ✓ (3)
(iii) Managers salaries: September 2023 (9 200 ✓✓ x 105%) (9 200 + 300) 9 660 ☒ + 9 500 ✓✓ If x 105%	19 160 ☒ one part correct (6)
(iv) Operating profit: August 2023 59 940 – 640	59 300 ✓✓ (2)

13

4.3 Calculate: Cost of new vehicle purchased on 1 August 2023

WORKINGS	ANSWER
(14 875 – 12 000) <u>2 875 ✓✓ x 12 ✓</u> 0,15 ✓	230 000 ☒ one part correct
Calculate: The savings on interest on loan after the loan repayment.	
WORKINGS	ANSWER
90 000 ✓ x 14% ÷ 12 ✓ OR 6 300 – 5 250	1 050 ☒ one part correct; 14% is not one part correct

5

3

4.4 Refer to the actual and budgeted figures for August 2023 and comment on the control of the following items: Quote figures.

TELEPHONE, WATER AND ELECTRICITY Comment ✓✓ Figure ✓	Overspent by 1 680 (60% more) which is way above the inflation rate / this is not being well controlled or monitored / wastage or poor internal control procedures in place	3
ADVERTISING Comment ✓✓ Figure (related to sales) ✓✓	Overspent by R575 (8,5%) Sales increased by 12,5% Advertising was effective / well managed / a small increase resulted in higher sales.	4

4.5 Explain the effect of the decrease in mark-up % on gross profit. Quote figures.

Prudence was able to maintain the budgeted gross profit. ✓
 $252\ 000 - 168\ 000 = 84\ 000$ ✓✓

3

Provide ONE disadvantage of selling more goods on credit.

ONE valid point ✓✓

- Negative impact on cash flow
- Additional admin requirements to control debtors
- Possibility of bad debts

2

TOTAL MARKS	35	
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TOTAL: 150