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## PREPARATORY EXAMINATION

GRADE 12

## ACCOUNTING P2

SEPTEMBER 2023

## 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. Unless otherwise stated, give full marks for correct answer. If answer is incorrect, mark workings.
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. If candidates provide more than the required number of responses, inspect all responses to give benefit to the candidate. Penalties may be applied for foreign entries if candidates earn full marks on a question (max -2 per Q).
8. This memorandum is not for public distribution; as certain items might imply incorrect treatment. The adjustments made are due to nuances in certain questions.
9. Where penalties are applied, the marks for that section of the question cannot be a final negative.
10. Where method marks are awarded for operation, marker must inspect reasonableness of answer.
11. Operation means 'check operation'. 'One part correct' means operation and one part correct. Note: check operation must be +, -, x, ÷, or per memo.
12. In calculations, do not award marks for workings if numerator & denominator are swapped – this also applies to ratios.
13. 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 ☒.
14. Be aware of candidates who provide valid alternatives beyond the marking guideline. Note that one comment could contain different aspects.
15. Codes: f = foreign item; p = placement/presentation.

**These marking guidelines consist of 11 pages.**

**QUESTION 1**

1.1

1.1.1	True	✓
1.1.2	True	✓
1.1.3	False	✓

3

1.2.1

**Calculate the correct totals of the Cash Journals in order to determine the Bank account in the ledger on 31 August 2023.**

CASH RECEIPTS JOURNAL		CASH PAYMENT JOURNAL
365 760		319 790
360* ✓✓	#Award two marks for 2 840 in CRJ & 2 480 in CPJ together (no part marks)	636 ✓
5 780 ✓		(367 + 1 438) one mark
7 230 ✓		5 909 ✓
		3 150 ✓
379 130	✓ for both totals;	331 290
Must include 365 760	one part correct.	Must include 319 790

**Bank balance:**

see 1.2.1 (CRJ)    see 1.2.1 (CPJ)  
 – 29 415 ✓ + 379 130 ✓ – 331 290 ✓ = 18 425 ✓ one part correct

Be alert to alternative arrangement for calculations such as Ledger format

13

1.2.2

**Prepare the Bank Reconciliation Statement on 31 August 2023.**

	Debit	Credit
Balance as per bank statement		*16 565 ✓
Outstanding deposit		17 900 ✓
Correction of error by bank	4 500 ✓	
Outstanding EFT (1465)	11 540 ✓	
Balance as per bank account see 1.2.1	18 425 ✓	
-1 for poor presentation / no details	34 465	34 465
* balancing figure; can be Dr	✓ both must be the same	

6

1.2.3

**The levy on credit card sales is 5% of the respective credit card sales amount. Calculate the total credit card sales for the month.**

$1\,438 \times \frac{100}{5} = R28\,760$  ✓✓ one part correct

2

1.2.4

**Provide TWO suggestions on how account holders can protect themselves against this crime of hacking.**

TWO valid, different Advice ✓✓ ✓✓ part marks for incomplete/unclear responses

- Keep track of movements in bank accounts./Notifications on the banking app.
- Do not give out pin codes, passwords, bank account details, etc.
- Do not react to suspicious phone calls, messages, or emails, as these could be used to gain unauthorised access to the private details of account holders.
- Always try to handle bank cards by yourself to avoid cloning of cards.

4

**1.3 DEBTORS AGE ANALYSIS**

1.3.1

**Explain why the Debtors' control account balance should agree with the Debtors' List total.**

Any acceptable point ✓✓ part marks for incomplete/unclear responses

- Debtors' control account is a summary of all transactions concerning all transactions with debtors (from journals totals), and the debtors' list is a summary (total) of the same transactions allocated to the separate/individual debtors accounts (posted from the same journals).
- It is the same information presented in different ledgers (general and subsidiary)
- Prepared from the same set of source documents.

2

**Explain TWO processes the bookkeeper should follow if he discovers a difference between the Debtors' control account balance and the Debtors' List total.**

Any TWO acceptable points ✓✓ ✓✓ part marks for incomplete/unclear responses

- Control with the original source documents.
- Check postings from journals to the ledgers.
- Check the entries in the journals.
- Check the correctness of casting/totalling of journals.

4

1.3.2

**Identify THREE internal control problems concerning the debtor Thandi Moi. Quote figures for each problem.**

Any THREE problems ✓✓ ✓✓ figures ✓✓ ✓✓

- Not sticking to terms. 60 days (R11 330) and 90 days (R16 680), debts older than 60 days are not paid.
- No (nil) interest charged on balances 90 days overdue.
- Discount allowed was calculated at 10%, must be at 5%.
- Thandi's account should have been blocked/frozen from any purchases (Inv. 576 for R15 620) until the payment amount is in arrears over 90 days.

6

**TOTAL MARKS**

40

## QUESTION 2

2.1

2.1.1	Perpetual	✓
2.1.2	Weighted-Average (WA)	✓
2.1.3	First-In-First-Out (FIFO)	✓

3

## 2.2 EDEN POTS &amp; PEBBLES

## GARDEN POTS (Weighted average method):

## 2.2.1 Calculate the weighted average cost per garden pot.

$$\begin{array}{r}
 13\,500 + 53\,750 \text{ both } 5 \times 195 \\
 \underline{67\,250 \checkmark} \quad - 975 \checkmark \quad + 2\,395 \checkmark \\
 320 \checkmark - 5 \checkmark \\
 60 + 260 \text{ both } \checkmark - 5 \checkmark
 \end{array}$$

$$\begin{array}{r}
 68\,670 \text{ 3 marks} \\
 315 \text{ 2 marks}
 \end{array}$$

$$= R218 \checkmark \text{ operation one part correct}$$

6

## 2.2.2 Calculate the Rand value of the garden pots lost at market exhibitions during the year ended 31 May 2023.

$$\begin{array}{r}
 60 + 260 - 5 \\
 \checkmark \quad \checkmark \quad \checkmark \quad 3 \text{ marks} \\
 315 \quad - 265 - 42 = 8 \times 218 \checkmark = R1\,744 \checkmark \text{ operation one part correct} \\
 \text{see 2.2.1} \quad \text{see 2.2.1}
 \end{array}$$

5

## 2.2.3 Advise Eden on preventing future losses of missing/stolen garden pots whilst attending market exhibitions. Provide TWO points.

Any TWO separate points of advice ✓✓ ✓✓ part marks for incomplete/unclear answers

- Put only one pot of each range on display and lock the rest of the stock properly.
- Do not display too much stock, rather have customers order from the catalogue/use samples.
- Upgrade physical security at exhibitions by negotiating proper lock-up storage and security guards with organisers.
- If possible, chain pots together to make it difficult to steal garden pots.

Accept install cameras one mark

4

**PEBBLES (FIFO method):****2.2.4 Calculate the value of the stock on hand on 31 May 2023.**

$$\begin{array}{rcl}
 (1\,850 - 100) & & \\
 1\,750 \checkmark & \times 68 \checkmark & = 119\,000 \\
 590 \checkmark & \times 75 \checkmark & = \underline{44\,250} \\
 & & 163\,250 \checkmark \quad \text{operation one part correct}
 \end{array}$$

5

**Calculate the stockholding period in days (using closing stock).**

$$\begin{array}{rcl}
 \frac{163\,250 \checkmark \text{ see 2.2.4 above}}{810\,350 \checkmark - 6\,100 \checkmark - 163\,250 \checkmark} \times 365 & = & 93 \text{ days/accept 92,9 days } \checkmark \\
 194\,300 + 616\,050 & & \text{operation one part correct; must } \times 365 \\
 641\,000 & \text{three marks} &
 \end{array}$$

$$\begin{array}{rcl}
 \text{OR using units:} & 2\,340 / 9\,010 \times 365 & = 94,8 \text{ days must } \times 365 \\
 & 2 \text{ marks} \quad 2 \text{ marks} &
 \end{array}$$

5

**2.2.5 Comment on whether Eden should be satisfied with the stockholding period. Quote figures.**  
**Note that the stockholding period on 31 May 2022 was 96 days.**

According to 2.2.4 any acceptable reason ✓✓ (based on the answer above, see 2.2.4 SHP calculation)

Yes, pebbles are not perishable and can last for a very long time.  
 Given that their focus is on tourists visiting Clarens over weekends which is very unpredictable for stock budgets.  
 Appeals to a select set of clients – demand may be constant.

OR

No, stock takes up extra storage space.  
 Carrying stock to the value of R163 250 can put pressure on cash flow.

2

**TOTAL MARKS****30**



**QUESTION 3****3.1.1****Calculate the value of raw materials issued to the factory for production.**

$$\begin{array}{r}
 228\,000 \\
 240\,000 - 12\,000 + 4\,560 \\
 240\,000 \times ,95 \times 1,02 \text{ two marks} \\
 1\,942\,500 \text{ two marks} \\
 513\,500 \checkmark + 2\,100\,000 \checkmark - 157\,500 \checkmark + 94\,500 \checkmark + 232\,560 \checkmark \checkmark - 672\,020 \checkmark \\
 2\,037\,000 \text{ three marks} \\
 = 2\,111\,040 \checkmark \text{ operation one part correct}
 \end{array}$$

513 500	157 500
2 100 000	672 020
94 500	
232 560	<b>2 111 040</b>

**8****3.1.2****Calculate the depreciation on factory equipment:**

WORKINGS	ANSWER
$124\,000 - 34\,720$ <b>AD:</b> $89\,280 \times 20\% \times 5/12 = 7\,440 \checkmark \checkmark$ <b>New:</b> $215\,000 \times 20\% \times 6/12 = 21\,500 \checkmark \checkmark$ <b>Old:</b> $= 84\,000 \checkmark$	   <b>112 940</b> $\checkmark$ operation one part correct

**6****3.1.3****Prepare the Factory Overhead Cost Note for the year ended 28 February 2023.**

<b>Indirect Labour</b>	<b>74 742</b>
Indirect materials ( $170\,800 \times 85\%$ )	145 180 $\checkmark \checkmark^*$
Rent ( $227\,500 - 17\,500 \times 900/1\,200$ )	157 500 $\checkmark \checkmark^*$
Sundry expenses ( $83\,100 + 6\,300 \times 80\%$ )	71 520 $\checkmark \checkmark^*$
Insurance ( $28\,560 \times 3 \times 3/5$ ) 85 680	51 408 $\checkmark \checkmark^*$
Water & electricity ( $13\,000 + 18\,810 + 5\,400$ ) 31 810 two marks	37 210 $\checkmark^*$
Depreciation on factory equipment see 3.1.2	112 940 $\checkmark$
$\checkmark^*$ one part correct; must include 74 742	<b>650 500</b> $\checkmark^*$

**14****3.1.4****Determine the total sales for the year ended 28 February 2023.**

$$\begin{array}{l}
 229\,800 \checkmark + 3\,313\,086 \checkmark - 201\,300 \checkmark = 3\,341\,586 \text{ three marks} \\
 3\,341\,586 \times 250/100 \checkmark = 8\,353\,965 \checkmark \text{ one part correct}
 \end{array}$$

**5**

**3.2 JOZY PENS****3.2.1 Calculate the break-even point for the year ended 28 February 2023.**

$$\frac{2\,442\,375 \checkmark}{68 \checkmark}$$

$$104,10 - 36,10$$

= 35 917,3 OR 35 918 units ☒ **one part correct** must be units not R

3

**3.2.2 Explain whether the level of production achieved is satisfactory or not. Quote figures to support your opinion.**

**Explanation** ✓✓ **Figures** ✓✓ based on 3.2.1

**Compulsory** (must mention production and BEP)

The business produces 41 750 units, and the BEP is 35 918/  
Produce 5 832 more than the BEP/making a profit on 5 832 units

**TWO-mark options** (If only production or only BEP is mentioned)

Produce last year 42 500 and this year 41 750/750 less than last year  
BEP decreased from 40 034 to 35 918/by 4 116 units.

4

**3.2.3 Jozy is generally satisfied with the management of variable costs but is not pleased with the control over direct labour costs.**

**Justify his concern by quoting figures.**

**Comparative figure** ✓

Direct labour cost increased from R9,80 to R14,70/by R4,90/50%.

**Provide TWO suggestions he can implement to address the problem.**

**Any TWO suggestions:** ✓ ✓

Possible answers:

- Train workers to work effectively
- Restrict overtime
- Better supervision by the foreman
- Pay workers per finished unit (piecework)

3



**3.2.4 Jozy is considering using computerised machinery as an alternative to manual labour. This may result in some workers losing their jobs.**

**Explain TWO points that he should consider before taking this step.**

Any TWO suggestions: ✓ ✓

- Triple bottom line (They should not only consider their profit)/ Retrenching workers will add to poverty/Increased crime/ unemployment within the community.
- Maintenance and installation of computerised machinery are costly and specialised./Need to train workers to operate machinery.
- Computerised machinery will need constant power and the current load-shedding situation will bring production to a stand.
- Computerised machinery will need substantial initial capital investment, which can lead to cash flow pressure.

2
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<b>TOTAL MARKS</b>
<b>45</b>

**QUESTION 4: BUDGETING**

4.1

**State ONE difference between a Projected Statement of Comprehensive Income (Income Statement) and a Cash Budget.**

- The Projected Income Statement focuses on predicting net profit or loss./Focus on income/expenses
- The Cash Budget focuses on the expected balance in the Bank account./Focus on receipts/payments

2

4.2

**Provide TWO possible reasons why Sparky does not allow credit to customers and indicate whether this is a good decision or not.**

Any TWO acceptable points ✓✓ ✓✓

- The main source of income is Service Fee Income which cannot easily be retrieved if the debtor does not pay regularly.
- Sparky must pay cash for consumables and bodywork parts needed, therefore cannot finance credit to customers.
- Extra administration
- Possibility of bad debts

4

4.3.1

**Calculate the markup percentage maintained for the sale of spare parts.**

$$34\,350 / 45\,800 \times 100 = 75\% \quad \checkmark \checkmark \quad \text{one part correct}$$

OR

$$50\,625 / 67\,500 \times 100 = 75\%$$

2

4.3.2

**Calculate the percentage decrease in service fee income expected in September 2023.**

(224 000 – 203 840) one mark

$$20\,160 / 224\,000 \times 100 = 9\% \quad \checkmark \checkmark \quad \text{one part correct; must x 100}$$

2

4.3.3

**The additional space (in square metres) that the business plans to rent from September 2023.**

$$9\,000 / 75 = R120 \quad \checkmark$$

$$13\,800 / R120 = 115 \text{ m}^2 \quad \checkmark$$

$$\text{Additional space} = 115 - 75 = 40 \text{ m}^2 \quad \checkmark \quad \text{one part correct}$$

**OR**

$$4\,800 \text{ one mark}$$

$$(13\,800 - 9\,000) / 120 = 40 \text{ m}^2 \quad \text{one method mark}$$

$$120 \text{ one mark}$$

3

- 4.3.4 Calculate the interest rate on the fixed deposit. Note that the interest rate is expected to remain constant over the budget period.**

8 550 – 4 050

$$\frac{4\,500 \checkmark \times 12 \checkmark}{675\,000 \checkmark} \times 100 = 8\% \checkmark \text{ one part correct}$$

4

- 4.4 Comment on the control of stock and explain how Sparky intends to correct this. Quote specific items and figures from the Projected Statement of Comprehensive Income period.**

Each item ✓ ✓ Figures ✓ ✓

Trading stock deficit reduced by R18 900/from R21 000 to R2 100/by 90%

Increase in security expenses by R6 300/from R7 500 to R13 800/by 84%.

4

- 4.5 Sparky offered customers free delivery of spare parts but discontinued this service on 31 July 2023.**

**State TWO points to support this decision.**

Any TWO relevant points: ✓✓

- Customers will be forced to have the spare parts fitted as part of the service offered by the business.
- The business will be saving on the running cost of the delivery vehicle.
- The main line of business is the repairing of vehicles – the sale of spare parts supports this.
- The profit on the sale of spare parts is considerably lower than the fee income for the repair service.

2

**4.6.1 Comment on the control over:  
Service fee expenses**

Comparison of fee income and Service fee Expenses ✓✓ Figures ✓

Service fee income was less than budgeted by R33 750 (15%) whilst Service fee expenses were more than the budget by R9 675 (21,5%).

**Conclusion:**

Conclusion ✓✓

Part marks for unclear/incomplete answer

A decrease in actual Service fee income should also see a decrease in Service fee expenses used since fewer repair services are provided hence fewer consumables are needed. This indicates a lack of control.

**Only one mark for:** This indicates a lack of control.

4

**Water and electricity**

Comment on control ✓✓

comparative Figures ✓✓

This expense has been well-controlled. If the budgeted amount of R6 750 considered the increase, it would have been R7 762,50. Only R7 500 was spent (R262,50 less than the adjusted budgeted amount.)

OR

The budgeted amount (R6 750) has not taken into account the tariff increases of 15% affected on 1 July 2023, which would have led to an adjusted budgeted amount of R7 762,50. (Only 11,11% not 15%)

**One mark for:** good/well controlled

4

**4.6.2 Sparky's decided not to use the full budget for Advertising.  
Explain whether this was beneficial to the business or not.**

Comment on decision ✓✓

Figures ✓✓

Part-mark for unclear/incomplete answer

Comparison figures necessary

The advertising actual amount spent is R4 350 (62%) less than the budget./

The amount spent (R2 700) is lower than the budgeted amount (R7 050).

This had a negative effect on Service fee income, R33 750 less than budgeted, and sales of bodywork parts R47 250 less than budgeted. Also given the markup on cost was adjusted from the budgeted 65% to 80%, he should have spent more on advertising.

4

**TOTAL MARKS**

35

**TOTAL: 150**