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KWAZULU-NATAL PROVINCE

EDUCATION
REPUBLIC OF SOUTH AFRICA

**NATIONAL
SENIOR CERTIFICATE**

GRADE 12

ACCOUNTING P2

MARKING GUIDELINES

PREPARATORY EXAMINATION

SEPTEMBER 2023

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).
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 incorrect, mark the workings.
4. If a pre-adjustment figure is shown as the final figure, award part-mark as a working mark 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 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 a certain question.
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, the marker must inspect the reasonableness of the answer.
11. Operation' means 'Check operation'. 'One part correct' means 'Operation & one part correct'. Note: check operation must be +, -, x, ÷, or per candidate's calculation (if valid) 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, 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.

This marking guideline consists of 9 pages.

QUESTION 1

- 1.1 Choose an example from COLUMN B that matches a cost category in COLUMN A. Write only the letter (A-D) next to the question numbers 1.1.1 to 1.1.3) in the ANSWER BOOK, e.g 1.1.4 E.

1.1.1	B✓
1.1.2	D✓
1.1.3	A✓

3

1.2.1 PRODUCTION COST STATEMENT FOR THE YEAR ENDED 30 JUNE 2023

Direct material cost	Missing figure	1 906 000	✓
Direct labour cost (1 500 000 x 60/100)		900 000	✓
Prime cost	Operation	2 806 000	✓
Factory overhead cost (700 000✓ – 96 000✓ + 50 000✓) (-160 000 + 64 000) One mark Operation one part correct		654 000	✓
Total cost of production	Operation	3 460 000	✓
Work in process – beginning of the year		250 000	
		3 710 000	
Work in process – end of the year		(110 000)	✓
Total cost of production of finished products (200 x 18 000)		3 600 000	✓

10

1.2.2 ABRIDGED STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 30 JUNE 2023

Sales (16 900✓✓ x 270) OR [(5 000 + 18 000 – 6 100) Two marks x 270] Operation one part correct	4 563 000*	✓
Cost of sales (900 000✓ + 2 380 000✓✓) One mark Method mark See 1.2.1 One mark OR 900 000 + (3 600 000 – 1 220 000) Operation one part correct	(3 280 000)*	✓
Gross Profit	1 283 000	✓
Administration	(380 000)	✓
Selling and distribution	(470 000)	✓
Net profit for the year	433 000	✓

11

*Operation one part correct

This marking guideline consists of 9 pages.

1.3.1	Explain why it is important to calculate the expected break-even point for a business at the beginning of a financial year.		
	Any valid point ✓✓ Correct response = 2 marks		
	<ul style="list-style-type: none"> • Foresee any potential problems of low production. • No profits are made until breakeven is reached. • Determine the minimum number of units to be produced to prevent losses. • To produce enough products to set the production level that will cover all costs. • To identify whether productivity levels should be improved to ensure acceptable profit levels. 		
	ONE mark incomplete/unclear answers:		
	<ul style="list-style-type: none"> • To produce enough products / Prevent low profits/prevent a loss / Improve efficiency / To compile a budget. 		2
1.3.2	Mandy feels that she can improve the sales of calculators. Provide TWO suggestions on how this can be achieved.		
	Any TWO valid points ✓✓ ✓✓		
	<ul style="list-style-type: none"> • Decrease the mark-up % (or selling price) • Set targets for completion during normal time and try to reduce overtime pay. • Spend more money on advertising and sales promotion and explore new target markets • Allow customers to buy direct and offer discount 		4
1.3.3	Mandy was concerned about the increase in the fixed cost per unit of calculators. What would you say to her? Provide ONE point and quote figures to support your answer.		
	Valid comment explaining economies of scale ✓✓		
	<ul style="list-style-type: none"> • Production decreased by 800 units (40%) • Fixed costs are not influenced by the level of production (R210 000) • Fixed cost per unit will be much higher (from 120 to 175). 		2
1.3.4	Except for a general increase in wages due to inflation, give TWO other reasons for the increase in direct labour costs per unit. In each case, provide a practical solution to address this.		
	POSSIBLE REASON ✓✓	SOLUTION ✓✓	
	Working slower/ De-motivated / Lazy workers / Lack of management.	Monitor normal working hours /Ensure workers complete set targets during normal time.	
	Overtime abused to get higher pay.	Monitor workers to ensure that they work efficiently during normal hours. / Claim overtime when necessary.	
	Load shedding	Energy backup system e.g. generators, solar panels	
	Lack of skills	Retraining / reskilling	4
1.3.5	Mandy wants to increase production by 700 units during the next financial year while maintaining costs. Calculate the additional profit that she will achieve.		
	WORKINGS	ANSWER	
	$700 \checkmark \times 203 \checkmark \checkmark$ $(540 - 337)$	$142\ 100 \checkmark$ operation one part correct	4

TOTAL MARKS

40

This marking guideline consists of 9 pages.

QUESTION 2

2.1.1 Calculate the selling price per unit for running shoes.

WORKINGS	ANSWER
1 758 000 / 1465	R1 200 ✓✓ two or nothing

2

2.1.2 Calculate the value of closing stock on 30 April 2023 using weighted average method.

WORKINGS	ANSWER
$\frac{75\,400 \checkmark + 1\,107\,000 \checkmark + 17\,000 \checkmark - 15\,000 \checkmark}{200 \checkmark + 1\,700 \checkmark - 20 \checkmark}$ $\frac{1\,184\,400}{1\,880}$ <p>4 marks 3 marks seven marks for R630 = R630 x 430</p>	R 270 900 ✓ Operation (must be x 430)

8

2.1.3 It was discovered that a number of running shoes were shoplifted. Calculate the number of the missing shoes.

WORKINGS	ANSWER
$(200 + 1\,700 - 20) \checkmark - 430 \checkmark - 1\,465 \checkmark$ <p>1 880 See 2.1.2</p> <p>Mark amounts with signs</p> <p>Accept – 15 units/ +15 units / 0 units / No shoes missing</p>	15 ✓ units missing Operation one part correct

4

2.1.4 Provide TWO strategies that Ganesha should implement to prevent the loss of stock in future.

<p>Any two valid point ✓ ✓</p> <ul style="list-style-type: none"> • Improve stock control methods (regular stock take). • Division of duties: person ordering is not same person to one receiving goods to one packing to one recording transactions in the accounting records • Proper safeguarding of stock while in storage • Security guards at exit points and limited access to the storeroom

2

This marking guideline consists of 9 pages.

2.2.1 Calculate the stock turnover rate of soccer boots for 2023.
(Use the average stock).

WORKINGS	ANSWER
$\frac{168\,380}{\frac{1}{2} (105\,000 + 63\,380)}$ $84\,190 \text{ (three marks)}$	2 times one part correct

5

2.2.2 Explain whether Ganesha should be concerned about stock turnover rate. It was 5 times in 2022.

It is a concern because Stock turnover rate decreased from (5 times) to 2 times by 3 (150%).
The stock is not sold very fast compared to last year.

3

2.2.3 Ganesha is not satisfied with the performance of soccer boots. Identify TWO problems by quoting figures and trends. Provide a solution to each problem.

PROBLEM	SOLUTION / ADVICE
Problem identified with trends Problem 1: Days worked (172/264) 65% of work time (decreased from 99%) NB: only one figure or % required with the trend	Investigate the reason for the low number of days worked. Monitor opening and closing times and the employees' leave-taking. Do cost-benefit analysis to determine whether to keep this department. Pay workers only for days worked.
Problem 2: • Stock turnover rate (2 times) • Lower sales by 37% (820 – 515) • Stock piling increased from 94 to 296 units. • Too many returns 45 / Increase in returns from 21 to 45.	• Use an ordering system and buy according to orders. • Sacrifice profit (lower mark-up) to increase sales. • Offer special prices / sale of boots for a limited period. • Double check the quality of boots before sales.

6

TOTAL MARKS

30

QUESTION 3

3.1.1 Debtors' Collection Schedule for the two months ending 31 October 2023

Month	Credit Sales	September	October	Bad debts
July	204 000 ✓✓	51 000 ✓		10 200
August	222 000	88 800	55 500 ✓	11 100
September ¹ **	198 000 ✓✓	56 430	79 200 ✓✓	40% of credit sales
October	210 000		59 850 ✓✓	

10

**462 000 x 30/70 = 198 000 One method mark & One mark

Or (56 430 x 100/95) x 100/30 = 198 000

188 100 One method mark

3.1.2 Calculate the figures indicated by (i)–(v) on the Cash Budget.

WORKINGS		ANSWER
(i)	210 000 x 70/30 or 700 000 x 70% OR 700 000 – 210 000	490 000 ✓✓ two or nothing
(ii)	528 000 (660 000 x 100/125) ✓ x 0,6 ✓	316 800 ✓
(iii)	528 000 (660 000 x 100/125) x 0,4 ✓ x 0,97 ✓ One mark One mark OR 528 000 – 316 800 See (ii) x 97%	204 864 ✓✓ One part correct
(iv)	540 000 x 12/100 x 1/12	5 400 ✓✓ two or nothing
(v)	48 600/1.08 OR 48 600 x 100/108	45 000 ✓✓ two or nothing

13

3.1.3 Calculate the Average Debtors' Collection period in days.

WORKINGS	ANSWER
$\frac{1}{2} \checkmark \frac{116\,500 - \text{Two marks}}{2\,100\,000 \checkmark} + \frac{128\,400 \checkmark}{1} \times \frac{365}{1}$	20,2 OR 20 days ✓

5

This marking guideline consists of 9 pages.

3.1.4	The owner wants to purchase the business premises rather than renting. Provide ONE advantage and ONE disadvantage of this option.
Any ONE advantage ✓	Any ONE disadvantage ✓
<ul style="list-style-type: none"> • Saving on rent • Earn capital gains through property valuations that increase over time. 	<ul style="list-style-type: none"> • Payment of rates and taxes; • Repairs and/or maintenance costs; • Insurance costs; • Interest payments on the mortgage bond

2

3.1.5

Comment and provide one point of advice on each expense item. Quote figures and trends.		
Expense item	Comment ✓✓ ✓✓	Advice ✓ ✓
Water and Electricity	Underbudgeted/Overspent by 6 800 / by 19%	Check for leaks (faulty cables) / Avoid wastage
Advertising	Overbudgeted/Underspent by 3 500 / by 27%	Use budgeted amount to increase the sales

6

3.2

Identify ONE problem at each branch. Quote figures to support the problem identified and give Msizi advice on how to solve the problem in each case.

	PROBLEM AND FIGURE ✓✓ ✓✓ ✓✓	SOLUTION ✓ ✓ ✓
Branch 1 Phumzile	<ul style="list-style-type: none">• 20 Jackets were stolen.• Stock holding period too long – 120 days.	<ul style="list-style-type: none">• Introduce security measures.• Division of duties amongst staff.• Improve marketing strategy.
Branch 2 Peggy	<ul style="list-style-type: none">• Cash deposited R308 400 instead of R368 400. Cash stolen (R60 000).• Number of days worked per week (Five - Monday to Friday)	<ul style="list-style-type: none">• Division of duties (establishing segregation of duties).• Make daily bank deposit.• Improve internal control over cash.
Branch 3 Parvati	<ul style="list-style-type: none">• Too many jackets returned (15).• Six days worked but few jackets (170) sold.• Lowest advertising spending R500 which results to lowest sales 170 units	<ul style="list-style-type: none">• Change to a supplier who will provide quality jackets.• Supply correct items to clients.• Change to another marketing provider.• Improve advertising strategy.

9

TOTAL MARKS
45

This marking guideline consists of 9 pages.

QUESTION 4

4.1.1	CASH RECEIPTS JOURNAL	CASH PAYMENT JOURNAL
	R	R
	510 600	487 300
	6 250 ✓	3 600 ✓
	290 ✓	1 850 ✓
		1 000 ✓
		425 ✓
	517 140 ✓	Both Totals R494 175

7

4.1.2	BANK RECONCILIATION STATEMENT ON 31 JULY 2023			
		ONE COLUMN METHOD	DEBIT	CREDIT
	Balance per Bank Statement	R43 310		R43 310 ✓
	Credit outstanding deposit	R10 000		R10 000 ✓
	Debit outstanding EFT:			
	EFT No.655	(R7 095)	R7 095 ✓	
	Debit incorrect amount	(R9 800)	R9 800 ✓	
	Credit incorrect amount	R1 850		R1 850 ✓
	Balance as per Bank Account	(R38 265)	*R38 265 ✓✓	Balancing figure
	* or (15 300 + CRJ total – CPJ total)		R55 160	R55 160

7

4.1.3 Explain whether or not the business made the right decision in alerting the bank about the deposit of R9 800, on 25 July 2023.

Any ONE valid explanation ✓✓

- Good decision made to alert the bank because there was no proof of payment as future reference/No documents
- Every transaction must be supported with documentation to avoid problems which can involve stakeholders such as SARS, Banks, creditors, etc.
- The intended recipient would have complained about not receiving the money, which would have led to a disagreement or the possibility of a police investigation.
- The business must maintain its reputation as an ethical organisation.

2

4.2 CREDITORS RECONCILIATION

4.2.1 Briefly explain how the preparation of a creditors' reconciliation as an internal control measure can assist the business in managing their creditors effectively. Provide TWO points.

Any TWO relevant control measures ✓✓ ✓✓

- Errors and omissions can be detected and corrected.
- Fraud can be detected and minimised.
- The correct payment can be made to creditors.

4

4.2.2 Use the table provided to indicate the changes that must be made in the Creditors' Control account and Creditors' List in the books of Titanic Traders to take into account the errors and omissions noted. Indicate the increase or decrease with a (+) or (-) with each amount. Show brackets as alternative method.

	Creditors' Control R	Creditors' List R
Provisional balance/total	74 720	32 600
A		+ 900 ✓
B	+ 3 720 ✓	+ 3 720 ✓
C		- 450 ✓✓
D	- 32 800 ✓✓	
E		+ 8 870 ✓
Both totals	45 640 ✓	45 640

9

4.2.3 State THREE internal control measures that the business can use to prevent similar incidents from happening in future.

Any THREE separate, relevant control measures ✓✓ ✓✓ ✓✓

- Division of duties – Philani must not be the only person responsible for ordering and recording goods.
- Rotate duties so that employees do not have permanent control over an aspect of the business.
- Have special order forms to be signed by two people.
- Check documents regularly against deliveries.
- Do regular/random stock counts to verify stock records.

6

TOTAL MARKS

35

TOTAL MARKS: 150