 Province of the

EASTERN CAPE

EDUCATION

**DIRECTORATE SENIOR CURRICULUM MANAGEMENT (SEN-FET)**

**MARKING GUIDELINES**

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| **SUBJECT** | **ACCOUNTING** | **GRADE** | 12 | **DATE** | TERM 2 |
| **TOPIC** | **TERM 2 TOPICS AS PER REVISED ATP** | **Term 2** | | | |
| **TIME ALLOCATION** | **REFER TO REVISED ATP** | **TIPS TO KEEP HEALTHY**  1. **WASH YOUR HANDS** thoroughly with soap and water for at least 20 seconds. Alternatively, use hand sanitizer with an alcohol content of at least 60%.  2. **PRACTICE SOCIAL DISTANCING** – keep a distance of 1m away from other people.  3. **PRACTISE GOOD RESPIRATORY HYGIENE**: cough or sneeze into your elbow or tissue and dispose of the tissue immediately after use.  4. **TRY NOT TO TOUCH YOUR FACE.** The virus can be transferred from your hands to your nose, mouth and eyes. It can then enter your body and make you sick. | | | |
| **INSTRUCTIONS** | **See Required** |

**FIFO**

**QUESTION 1:**

|  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- |
| 1.1 | | **Analysis of transactions: (show the increase or decrease under A, O and L)** | | | | | |  |
|  | **NO** | | **ACCOUNT DEBITED** | **ACCOUNT CREDITED** | **ASSET** | **EQUITY** | **LIABILITY** | |  | | --- | |  | | **8** | |
|  | **(ii)** | | Carriage on purchases ✓ | Bank ✓ | - 42 000 ✓ | - 42 000 ✓ | + 42 000\* |
|  | **(iii)** | | Creditors control ✓ | Creditors allowances ✓ |  | + 25 500✓ | - 25 500 ✓ |
|  | | \* if Bank is assumed to be a liability. | | | | | |  |
|  | |  | | | | | |  |
| 1.2 | | **Cost of sales** | | | | | |  |
|  | | ✓ ✓ ✓ ✓ ✓ ✓ ✓ 🗹  98 500 + 552 250 + 42 000 – 25 500 – 15 000 – 6 000 – 76 250 = 570 000    Net purchases: 552 250 – 25 500 – 15 000 – 6 000 = 505 750  Accept alternative presentations such as the signs being reversed, ledger account or an adjustment of the purchases account. | | | | | | |  | | --- | |  | | **8** | |

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| **QUESTION 2: PACKER'S SUITCASE SHOP** | |  |
|  |  |  |
| **2.1** | **Calculate the value of the closing stock on 30 June 2018 using the first-in-first-out method.** |  |
|  | |  |  |  |  | | --- | --- | --- | --- | |  | one mark one marks |  |  | | 425 ✓ x 3 040 ✓  450 – 25 | 1 368 000 – 76 000 | 1 292 000 🗸🗸 |  | | 71 ☑ x 2 930 🗸  496 – 425 or units above |  | 208 030 |  | |  |  | 1 500 030 ☑ | one part correct | |  |  |  |  | | |  | | --- | |  | | **5** | |
|  |  |  |
| **2.2** | **Charles suspects that suitcases have been stolen. Provide a calculation to support his concern.** |  |
|  | (3 155 – 25)  420 + 3 130 – 3 050 – 496 = 4 units  🗸 🗸 🗸 🗸 ☑ one part correct | |  | | --- | |  | | **5** | |
|  |  |  |
| **2.3** | **Charles is concerned about the volume of stock on hand.** |  |
|  | **Calculate for how long his closing stock is expected to last.** |  |
|  | 1 500 030 ☑ x 365 (or 12) 🗸  913 500 🗸 + 8 384 850 🗸 – 1 500 030 ☑  8 460 850 – 76 000  9 298 350 two marks / 7 798 320 three marks  = 70,2 days ☑ one part correct OR COS: 913 500 + 1 912 500 + 2 616 600 + 2 355 720  OR: 2,3 months one mark one mark one mark one mark  OR: IF UNITS ARE USED:  496 x 12 = 1,95 months OR 496 x 365 = 59,4 days  3 050 two marks 3 050 two marks | |  | | --- | |  | | **6** | |

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| --- | --- | --- |
|  | **ONE problem with keeping too much stock on hand:** ONE point ✓✓ Part-mark for partial answer |  |
|  | Can become obsolete and therefore useless to customers.  Staff may see less movement in stock and decide to steal.  Cost of storage / lack of storage space.  **ONE problem with keeping insufficient stock on hand:** ONE point ✓✓ Part-mark for partial answer  Will not meet the needs of consumers – they may go elsewhere to buy.  Loss of income from sales. | |  | | --- | |  | | **4** | |

**QUESTION 3:**

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| --- | --- | --- |
| **3.1** | **Calculate the value of the closing stock on 28 February 2015 using the FIFO method.** |  |
|  | R411 750  + (55  x R4 875  )  = R679 875 ☑ one part correct | |  | | --- | |  | | **7** | |
|  |  |  |
| **3.2** | **Calculate the cost of sales.** |  |
|  | R385 000  + R1 765 500  – R14 625  – R679 875 ☑ = R1 456 000 ☑    OR  R385 000 + R1 765 500 – R14 250 – R375 – R679 875 = R1 456 000  one mark one mark | |  | | --- | |  | | **6** | |
|  | **Calculate the average mark-up % achieved for the year.** |  |
|  | R847 800 ÷ R1 456 000 x 100 = 58,2%  🗸☑ ☑ see above ☑ one part correct | |  | | --- | |  | | **4** | |
|  |  |  |
| **3.3** | **Provide a calculation to prove whether the information given by the cleaner is true or not.** |  |
|  | 🗸 🗸 🗸 🗸  70 + 360 – 3 – 276 = 151  On hand = 145 🗸 MissinG 6 ☑ one part correct | |  | | --- | |  | | **6** | |
|  |  |  |
| **3.4** | **Jane is concerned that the final stock of 145 television sets is not appropriate for her business. Provide a calculation or figures to support her opinion and explain.** |  |
|  | **Calculation/Figures:** Any valid figures: 🗸🗸  145 x 365 = 192 days OR 145 x 12 = 6,3 months  276 1 276 1  **OR**  679 875 x 365 = 170 days  1 456 000 1  **OR** Compare stock on hand (145 units) to total sales (276 units)  **Explanation:** 🗸🗸  Not appropriate as stock will last at least 6 months | |  | | --- | |  | | **4** | |
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| **3.5** | **Comment on whether or not Jane's strategy of adjusting the selling prices has benefitted the business. Provide figures to support your answer.**  *Excellent answer with figures = 4 marks; Good = 3; Average = 2; Poor = 1; Incorrect = 0*  Expected response:🗸🗸  The strategy was successful in December (sales R1 125 000; lower selling price from R9 800 🡪 R7 500) but Jane then increased the selling price significantly in January (R9 800). She has not reduced the selling prices when cost prices decreased. Her competitors will probably decrease prices when possible to increase their market share. | |  | | --- | |  | | **4** | |
|  |  |  |
| **3.6** | **Provide TWO points to assist Jane in improving internal control in her business.**  Any TWO points 🗸🗸 🗸🗸  Possible responses:   * Regular stock counts to check that no stock goes missing. * Division of duties to check that all sales are recorded properly and that stock purchased is properly secured. * Reconsider pricing policy to reduce stock to acceptable levels. | |  | | --- | |  | | **4** | |

**Weighted average**

**QUESTION 1: QUALITY BUILDING SUPPLIERS**

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| --- | --- | --- | --- | --- |
| **1.1** | **Calculate the total value of the opening stock (A).**  600 x R85 = R51 000 ☑ | |  | | --- | |  | | **2** | |
|  |  |  |
| **1.2** | **Calculate the value of the tiles received on 25 April 2019 (B).**  960 🗸 x R120 🗸 + R5 760 🗸 = R120 960 ☑  R115 200 | |  | | --- | |  | | **4** | |
|  |  |  |
| **1.3** | **Calculate the value of closing stock using the weighted average method.**    (94 500 + 119 700 + 120 960)  51 000 ☑ + 335 160 ☑ – 9 500  x 1 150 🗸 = 118 350 ☑ (rounded off)  3 660 🗸 | |  | | --- | |  | | **6** | |

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| --- | --- | --- | --- | --- |
| **1.4** | **Calculate the gross profit.**    401 600  – (376 660 ☑ – 118 350 ☑) = 143 290 ☑ | |  | | --- | |  | | **4** | |

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| --- | --- | --- | --- | --- |
| **1.5** | **Da a calculation to prove that this business has good control over their stock.**  600  + 3 160  – 100  – 2 510  = 1 150  which is the closing stock. Nothing missing | |  | | --- | |  | | **5** | |

**QUESTION 2:**

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| **2.1** | **Calculate the total amount paid for carriage on the purchases on 11 June 2019.**  (1 600 x 215) 2 marks  R352 600 🗸– 344 000 🗸🗸 = 8 600 ☑ | |  | | --- | |  | | **4** | |
|  |  |  |
| **2.2** | **Calculate the value of the closing stock on 30 June 2019 using the weighted-average method.**  847 550  77 900🗸 + 770 850 🗸 – 1 200🗸 x 580 🗸 = R133 400 ☑  410🗸 + 3 280 🗸 – 5 🗸  **3 690 3 275 (2 marks)** | |  | | --- | |  | | **8** | |

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| **2.3** | **Explain the effect that this will have on the gross profit.**  Gross profit will **increase** 🗸🗸 (by R20 850)  **ONE valid reason for changing the stock valuation method:** 🗸🗸   * FIFO is a more suitable or accurate or realistic method of valuing stock of blazers. * Blazers are discrete units where cost is easily identified. * FIFO is more suitable/accurate/realistic as stock is valued at the most current prices.   **ONE valid reason against changing the stock valuation method:** 🗸🗸   * It is unethical / fraudulent / wrong / to manipulate financial records. * Will lead to an increase in tax. * Inconsistency / It is important that financial records are consistent for comparability. * Over a period of time there is no difference in the total gross profit earned. (long run) | |  | | --- | |  | | **6** | |
|  |  |  |
| **2.4** | **Harry is concerned about the control of his stock of blazers. He has sold 2 900 blazers during the year. Give a calculation to support his concern.**  410 + 3 280 – 5 – 2 900 – 580 = 205 missing | |  | | --- | |  | | **4** | |

**QUESTION 3:**

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| **3.1** | **Explain the difference between the *perpetual stock system* and the *periodic stock system*.**  Any valid difference with comparison 🗸🗸   |  |  | | --- | --- | | *Expected responses:* ***Perpetual stock system*** | ***Periodic stock system*** | | Cost of sales calculated at point of sale | Cost of sales calculated at end of financial period | | Stock value can be determined/ identified at any time (from records) | Stock value determined/identified by stock count | | Cost of sales account used | Purchases account used | | Stock bought regarded as an asset | Stock bought regarded as an expense | | |  | | --- | |  | | **2** | |
|  |  |  |
| **3.2** | **Calculate the value of the stock on hand on 28 February 2015 using the weighted-average method.**  3 853 200  346 800  + 3 686 400 – 180 000 x 650 🗸 = 741 000 ☑  300 🗸+ 3 230 🗸– 150 🗸  3 380 | |  | | --- | |  | | **9** | |
|  |  |  |
| **2.1.3** | **Calculate how long (in days) it will take to sell the closing stock of 650 jackets. Use the closing stock in your calculation.**    741 000 🗹 x 365 🗸 = 86,9 or 87 days ☑  3 853 200 ✓ – 741 000☑  **OR :** IF UNITS ARE USED  1 mark 2 marks 1 mark 1 method mark  650 / 2 730 x 365 = 86,9 or 87 days | |  | | --- | |  | | **5** | |
|  |  |  |
| **2.1.4** | **Calculate the value of the closing stock using the FIFO method.**    ✓🗸 ✓🗸 🗸 ☑  R632 400 + (140 x R1 200) = R800 400 | |  | | --- | |  | | **6** | |
|  |  |  |
|  | **Give ONE reason in favour of changing to the FIFO method.** 🗸🗸   * Gross profit will be higher because closing stock would be higher * Jackets are discrete products / Easy to count or identify jackets individually * Value of jackets is continuously changing and valued at more recent/realistic prices   **Give ONE reason against changing to the FIFO method.** 🗸🗸   * No need to change as profit will be the same in the long-term * Unethical to manipulate the profit by changing the method of stock valuation * Tax would increase in first year as a result of increased profit * The change would affect comparisons across financial years | |  | | --- | |  | | **4** | |

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| **3.5.1** | **Calculate the number of shirts stolen.**  400 🗸 + 7 380 🗸 – 270 🗸 – 7 200 🗸 = 310 ☑  **Give TWO points of advice.**  Any two valid points 🗸🗸 🗸🗸  Expected responses for 2 marks:   * Count stock regularly / randomly and check against stock records * Order smaller quantities, but more frequently * Improve physical security e.g. controls at entrance / security cameras * Claim on insurance policy   Expected responses for 1 mark: Stock counts / Security cameras / Insurance | |  | | --- | |  | | **9** | |

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
| **3.5.2** | **Product** | **Comment on stock holding period and give figures**  Comment 🗸 🗸 🗸 Figures 🗸 🗸 🗸 | **Explanation on how it will affect the business** 🗸 🗸 🗸 | |  | | --- | |  | | **9** | |
| **Jackets** | 87 days on hand which is appropriate / 87 days is too high as they are halfway through winter. | Will be able to meet demand for the winter season. |
| **Shirts** | Too few shirts are being kept on hand 14 days. | They are likely to run out of stock and not meet the demand / lose customers. |
| **Jeans** | Too many jeans are on hand to support the sales, 319 days. | Could end up not selling these items as fashion changes / Cash tied up in stock. |

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| **3.5.3** | **Josy is unsure whether she is charging the right prices for her products. Give her advice on EACH product. Quote figures.** | | |  | | --- | |  | | **6** | |
| **Product** | **Advice with figures** Any valid advice 🗸 🗸 🗸 Figures 🗸 🗸  |
| **Jackets** | Advice: Maintain / increase the price  Figures: Sold 2 730 units / 80% of stock sold / 87 days holding period |
| **Shirts** | Advice: Maintain / increase the price [Price of R310 not relevant to rate of turnover]  Figures: Sold 7 200 units / 93% of stock sold / only 14 days’ holding period |
| **Jeans** | Advice: Reduce the price  Figures: Sold only 320 units / 53% of stock sold / 319 days holding period / 70% mark-up / R350 gross profit on R500 cost |

**SPECIFIC IDENTIFICATION**

**QUESTION 1:**

|  |  |  |
| --- | --- | --- |
| **1.1** | **(a) Calculate the closing stock of Johx watches on 31 August 2019.** |  |
|  | 1 x 6 500 (35 – 22) x R7 200   6 500 🗸 + 93 600 = 100 100 ☑ | |  | | --- | |  | | **4** | |

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| --- | --- | --- | --- |
|  | **(b) Calculate the cost of sales of Johx watches for the year ended 31 August 2019.** | |  |
|  | (108 000 + 86 400 + 57 600)  78 000  + 252 000 ☑ – 100 100 ☑  = 229 900 ☑ | **OR**  11 x 6 500 71 500  22 x 7 200 158 400  TOTAL 229 900 | |  | | --- | |  | | **5** | |

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| --- | --- | --- |
|  | **(c) Calculate the Gross Profit and the % gross profit achieved.** |  |
|  | 313 500  – 229 900 ☑ = 83 600 ☑  83 600 /229 900 ☑ x 100 = 36,4% ☑ | |  | | --- | |  | | **6** | |

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|  | **(c) Calculate the average stock-holding period (in days) of Johx watches on 31 August 2019.** |  |
|  | ½ (78 000🗸 + 100 100☑) x 365 = 141,4 days ☑  229 900 ☑ | |  | | --- | |  | | **4** | |

**QUESTION 2:**

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| --- | --- | --- | --- | --- |
| **2.1** | **Calculate the value of the closing stock on 30 September 2017 using the specific identification method.** | | |  |
|  | 18 – 8 15 – 11 18 – 10  (10 x 24 300) + (4 x 27 400) + (8 x 31 600)  243 000 🗸🗸 + 109 600 🗸🗸 + 252 800 🗸🗸 = 605 400 ☑  **OR**  OS + P – COS = CS  291 600 + 1 125 600 – 811 800 = 605 400  316 000 + 301 400 + 194 400 | | | |  | | --- | |  | | **7** | |
|  | |  | |  |
| **2.2** | **Mike requires your advice on the three different models of motorbikes in which he is trading. Explain TWO points of advice.** | | |  |
|  | Any TWO valid points of advice 🗸🗸 🗸🗸  Reduce the price of AO2 to increase sales / A lower mark-up% will help in reducing stock levels / Discontinue / decrease the AO2 product and look at stocking alternative later model products. / Stock more AO3 products as they seem to be more popular and in an affordable range / Stock more of the AO4 model because gross profit per unit is the biggest on this. | | | |  | | --- | |  | | **4** | |
| **2.3** | | **Calculate the value of the closing stock on 30 September 2019 using weighted-average** | |  |
|  | | 15 000 🗸 + 39 300 🗸 – 2 625 🗸🗸 x 12 🗸 = 6 201 ☑  30 🗸 + 75 🗸 – 5 🗸    **OR** 516,75 x 12 = 6 201 or 6 204 (weighted-average rounded off)  seven marks | | |  | | --- | |  | | **9** | |
|  | |  | |  |
| **2.4** | | **Is the weighted-average method appropriate to value the helmets? Explain ONE point.**  Yes/No 🗸 Explanation 🗸🗸  Explanation for yes:   * These are low cost compared to the other products Mike sells. * The items are of similar value.   Explanation for no:   * Helmets are only demanded by a select few bike enthusiasts. * The business does not buy very large quantities. * The prices are always increasing so the later model will be more expensive. | | |  | | --- | |  | | **3** | |
|  | |  |  |  |
| **2.5** | | **Mike suspects that helmets are being stolen from the shop despite using security cameras. Provide a calculation to verify his suspicion.**  (30 + 75 – 5)  100 🗸☑ – 12 🗸 – 85 🗸 = 3 helmets missing ☑ | | |  | | --- | |  | | **5** | |
|  | | **What can Mike do to improve the internal control of stock? State THREE points.**  Three valid points 🗸 🗸 🗸   * Do regular physical stock counts * Place tracking devices on the products / security price tags * Provide secure display cabinets for the stock * Improve security at the gates / inspect items and check to sales slip * Division of duties (if staff is suspected) * Buy in smaller quantities / more regularly | | |  | | --- | |  | | **3** | |

**QUESTION 3:**

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| **3.1** | | **Calculate the value of the closing stock of bicycles on 31 May 2018.**   |  |  |  | | --- | --- | --- | |  | **Workings** | **Answer** | | **Tempo** | 8 500 x 4🗸 | ☑ 34 000 | | **Cruze** | 9 400 x 40🗸 | ☑ 376 000 | | **Ryder** | 7 400 x **57**🗸🗸 | ☑ 421 800 | |  |  | ☑ 831 800 | | |  | | --- | |  | | **8** | |
|  | | **Calculate the cost of sales for the year ended 31 May 2018.**   |  |  |  | | --- | --- | --- | | Opening stock | 🗸 595 000 |  | | **Net** purchases | 🗸 3 591 000 |  | | Closing stock | ☑ (831 800) |  | | Cost of sales | ☑ **3 354 200** |  |   **OR** (8 500 x 66) + (9 400 x 220) + (7 400 x 98) = 3 354 200  561 000 2 068 000 725 200 | |  | | --- | |  | | **4** | |
|  |
|  | | **Calculate the gross profit for the year ended 31 May 2018.** | |  | | --- | |  | | **3** | |
| 🗸 🗹 🗹  5 185 420 – **3 354 200** = 1 831 220 |
| **OR** (66 x 8 500 x 60%) + (220 x 9 400 x 60%) + (98 x 7 400 x 35%)  336 600 + 1 240 800 + 253 820 = 1 831 220 |
|  |  | |  |
| **3.2** | **Calculate the selling price of a Ryder bicycle.** | | |  | | --- | |  | | **3** | |
| 🗸 🗹  R979 020 = R9 990  98🗸  One mark One mark One method mark  **OR** R7 400 x 135/100 = R9 990 **OR** R7 400 + R2 590 = R9 990 | |
|  | **Calculate the average number of Ryder bicycles sold per month.** | | |  | | --- | |  | | **3** | |
| 🗸 🗸 🗹  98 ÷ 9 = **10,9** per month | |
|  | **Indicate how long it will take Fred to sell the closing stock of the Ryder bicycles. Show calculations.** | | |  | | --- | |  | | **3** | |
| For three marks: **57** units ☑ ÷ **10,9** per month ☑ = 5,2 months ☑  **OR** 57 units X 9 = 5,2 months or approx. 157 days  98 units 1  **OR** 421 800 X 270 = 5,2 months or approx. 157 days  725 200 1 | |

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| --- | --- | --- | --- | --- |
|  | **Give ONE possible reason for the slow sales of Ryder bicycles.**  ONE valid reason: ✓✓  The customers **do not like** the new model / price is **higher** than the other models / High returns indicate the quality is not good / This is a new model / not familiar with this model / poor marketing strategy.  **Give advice (ONE point) to Fred in this regard.**  ONE valid point of advice ✓✓  Look for another model to replace the Ryder model / Discontinue as mark-up % is low / Advertise/promote the positive characteristics of the new model. | |  | | --- | |  | | **4** | |
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**STOCK: CONSOLIDATION**

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| **QUESTION 3** | | | | | **Nov 2019** | |
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| **CABINETS** | | | | | |  |
| **3.1** | **Calculate the value of closing stock using FIFO.** | | | | |  |
|  | **Workings** | | **Answer** | | | |  | | --- | |  | | **6** | |
| One marks one mark two m.marks one mark  230 x 1 100 50 x 990  253 000🗸🗸 + 49 500 ☑☑🗸  If 280 – units in first part  Op. Stock Purchases Returns Cost of sales  OR 296 000 + 2 199 000 – 22 000 – 2 170 500  one mark one mark two marks one mark | | one part correct  302 500 ☑ | | |
|  |  | | | | |  |
| **3.2.1** | **Calculate the % mark-up achieved in 2019.** | | | | |  |
|  | **Workings** | | | **Answer** | | |  | | --- | |  | | **4** | |
| 3 480 000 – 2 170 500  1 309 500 🗸🗸 x 100  2 170 500 🗸 | | | one part correct  60,3% ☑  Accept 60% | |
|  |  | | | | |  |
| **3.2.2** | **Provide TWO points (with figures) to prove that this decision achieved its aims.** | | | | |  |
|  | 🗸 🗸  TWO different & valid points  🗸 🗸  Figures | Sales increased from R3 375 000 to R3 480 000 / by 105 000 / by 3,1% | | | |  |
|  | Number of customers increased from 26 to 37 / by 11 / by 42% | | | | |  | | --- | |  | | **4** | |
|  |  | | | | |  |
| **3.2.3** | **The CEO feels that this decision also negatively affected the company. Provide TWO points (with figures) to support his opinion.**  Do not accept Mark-up % here | | | | | |  | | --- | |  | | **4** | |
|  | 🗸🗸 🗸🗸  TWO different & valid points (with figures) | Gross profit decreased from R1 425 000 to R1 309 500 / by R115 500 / by 8,1% / cost of sales increased by 220 500 | | | |
| Average units per customer dropped from 96 (2 500/26) to 63 (2 320/37) / by 33 / by 34% | | | |
| Units sold dropped by from 2 500 to 2 320 / by 180 / by 7,1% | | | |
|  |  | | | | |  |

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| --- | --- | --- | --- | --- | --- | --- | --- |
|  | **Give the directors advice to solve this problem. Explain TWO points.** | | | | | |  |
|  | 🗸 🗸  TWO different & valid points | | | Restrict (be selective with) trade discounts to good customers only | | | |  | | --- | |  | | **2** | |
|  | Find a cheaper supplier (to compensate for keeping selling prices low) | | |
|  | Increase marketing / advertising in areas outside the current areas targeted | | |
|  | Provide other incentives such as after-sales services, maintenance or free deliveries | | |
| **LAMPS** | | | | | | |  |
|  | | |  | | | |  |
| **3.3** | **Calculate the stockholding period for lamps (use closing stock).** | | | | | |  |
|  | **Workings** | | | | | **Answer** | |  | | --- | |  | | **3** | |
| 59 625  x 365  930 375 1 | | | | **OR**  265 one mark x 365  3 675 one mark 1 | one part correct one method mark  23,4 days ☑ OR 0,8 months  OR 26,3 days OR 0,9 months |
|  |  | | | | | |  |
| **3.4** | **Calculate the number of missing lamps.** | | | | | |  |
|  | **Workings** | | | | | **Answer** | |  | | --- | |  | | **5** | |
| Op.stock Purchases Clos.stock Sales  600 + 3 800 – 265 – 3 675       Be aware of alternative presentations e.g. signs may be reversed | | | | | one part correct  460 ☑ |
|  | **Give TWO suggestions to solve this problem.** | | | | | | |  | | --- | |  | | **4** | |
|  | 🗸🗸 🗸🗸  TWO valid & different suggestions part-marks for partial or incomplete answers | | | Divide duties / delegate to different employees | | |
| Threaten strong disciplinary action (in future) | | |
| Increase supervision at regular intervals (documents/journals) | | |
| Do random physical inspection of stock | | |
| Change to the perpetual inventory system to record stock | | |
| CCTV as an internal control measure | | |
|  | |  | | | | |  |

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| **TELEVISION SETS** | | | | |  |
|  |  | | | |
| **3.5** | **Calculate the value of the closing stock of TV sets on  30 September 2019 using the specific identification method.** | | | |  |
|  | **Workings** | | | **Answer** | |  | | --- | |  | | **7** | |
| **LYN**: | 7 800 000  – 2 580 000  = 5 220 000  (4 800 000 + 3 000 000) (430 x 6 000) three marks  [(800 + 500) x 6 000]  OR 870 two marks x R6 000 one mark  (1 300 – 430 | | one part correct  R11 772 000 ☑ |
| **KYA**: | 10 440 000  – 3 888 000 = 6 552 000  (6 840 000 + 3 600 000) (540 x 7 200) three marks  (1 450 x R7 200)  OR 910 two marks x R7 200 one mark  (1 450 – 540) | |
| **OR: LYN + KYA** | 430 one mark x R6 000 one mark 540 one mark x R7 200 one mark  18 240 000 – 2 580 000 – 3 888 000  two marks two marks two marks | |
|  |  | | | |  |
| **3.6** | **Explain THREE different concerns George would have about this problem.** | | | |  |
|  | THREE different & valid concerns  🗸🗸 🗸🗸 🗸🗸 part-marks for partial or incomplete answers | | Directors engaging in fraud and corruption / bribes / conflict of interests | | |  | | --- | |  | | **6** | |
| Unethical behaviour of CFO places the company placing at risk | |
| Image of the company negatively affected / will affect the share price and further investments from potential investors | |
| High stock value (over R10m) is tied up in stock / Obsolete / Affects liquidity | |
| Shareholders may want to sell their shares | |
| It will affect the audit report | |
| Business will lose goodwill as it is unethical. | |
|  |  | | | |  |

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| **QUESTION 2 June 2019** | | | | | |
|  |  |  |  |  |  |
| **2.1** | |  |  |  | | --- | --- | --- | | **2.1.1** | FIFO 🗸 |  | | **2.1.2** | Perpetual 🗸 |  | | **2.1.3** | Expense 🗸 |  | | | | | |  | | --- | |  | | **3** | |
|  |  | | | |  |

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
| **2.2** | **PHOTO-FIX TRADERS** | | | | |  |
|  |  | | | | |  |
| **2.2.1** | **Calculate:** | | | | |  |
|  | **Value of closing stock of cameras** | | | | |  |
|  | 435 500 145 000  (6 x 5 500) (70 x 5 750) (10 x R4 000) (25 x 4 200)  33 000 + 402 500 + 40 000 + 105 000  🗸🗸 🗸🗸 🗸🗸 🗸🗸  = 580 500 ☑ one part correct | | | **OR: *Using COS to calculate stock***  one mark one mark one mark  110 000 + 1 104 000 + 1 380 000 – 2 013 500  (77 000 + 977 500 + 560 000 + 399 000)  two marks one mark one mark one mark  = 580 500  method mark | | |  | | --- | |  | | **9** | |
| **2.2.2** | **Value of closing stock of photo frames** | | | | |  |
|  | 115 200 two marks  110 700 three marks  7 200 🗸 + 108 000 🗸– 4 500 🗸 x 80🗸 = 11 808 ☑ one part correct if multiplied by 80  60 🗸 + 720 🗸 – 30🗸  750 three marks  R147,60 six marks | | | | | |  | | --- | |  | | **8** | |
|  |  |  |  | |  |  |
| **2.2.3** | **The owner suspects that photo frames are being stolen. Provide a calculation to confirm his suspicions.** | | | | |  |
|  | 93 three marks      ☑ one part correct  750 – 657 – 80 = 13  (60 + 720 – 30)  one mark if incorrect but 60, 720 or -30 is shown | | | | | |  | | --- | |  | | **5** | |
|  |  | | | | |  |
| **2.2.4** | **Tom is thinking of employing an assistant at a wage of R3 500 per month to control the stock of photo frames. Explain why this is NOT a good idea. Provide TWO points with figures/calculations.** | | | | |  |
|  | Note: Explanation could differ depending on figures calculated above in 2.2.2 and 2.2.3   |  |  |  | | --- | --- | --- | |  | **Explanation** 🗸 🗸 | **Figures** 🗸🗸 🗸🗸 | | **Point 1** | It is not worthwhile to employ the assistant  **OR**  Wages greatly exceed the cost of the missing units | Wages one mark  R42 000 p a / R 3 500 pm    Cost of units missing: one mark  13 x R147,60 = R1 918,80  see 2.2.2 / 2.2.3 above  (could use unit cost price) | | **Point 2** | Missing items are relatively insignificant  **OR**  Units missing are a very small % of units available | Units missing = 13 one mark  see 2.2.3 above  Units available = 750 one mark  see 2.2.2 above  % missing = Less than 2%  two marks | | | | | | |  | | --- | |  | | **6** | |
|  |  | | | | |  |

**COST ACCOUNTING**

**ACTIVITY 1: CAPE CHOCOLATES**

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| **1.1** | **FACTORY OVERHEAD COST**   |  |  | | --- | --- | | Factory indirect material 80% 🗸 x (7 200 ✓ + 56 000 ✓ – 7 500 ✓) | 🗹 44 560 | | Factory rent | 🗸 68 500 | | Factory maintenance (46 700 ✓ + 1 300 ✓) | 🗹 48 000 | | Water and electricity | ✓🗸 56 000 | | Depreciation / machinery | ✓ 12 800 | | Sundry expenses | ✓🗸 12 000 | | Wages of cleaner | 🗸 \*23 000 | | Indirect salary (89 050🗸– 6 500🗸– 650🗸) | ☑ \*81 900 | | **Total factory overhead cost** | 🗹 346 760 | | |  | | --- | |  | | **20** | |
| **1.2** | **PRODUCTION COST STATEMENT FOR THE YEAR ENDED 30 JUNE 2012**   |  |  | | --- | --- | | 🗸 Direct/Raw materials cost  **(**18 000 ✓ + 650 000 ✓ + 12 300 ✓ – 35 000 ✓ – 20 000 ✓) | 🗹 625 300 | | 🗸 Direct labour cost (192 000 ✓ + 54 000 ✓)  (3x 1600 x 40) + (900 x 60) | 🗹 246 000 | | **Prime cost** | 🗹 871 300 | | 🗸 Factory overhead cost see 1.1 | 🗹 346 760 | | **Total cost of production** | 🗹 1 218 060 | | **Work-in-process on 1 July 2011** | **35 000** | |  | 1 253 060 | | **Work-in-process on 30 June 2012** | 🗹 (41 060) | | **Cost of production of finished goods** | **1 212 000** | | |  | | --- | |  | | **16** | |

|  |  |  |  |
| --- | --- | --- | --- |
| **ACTIVITY 2: ABE ACCESSORIES** | | |  |
|  |  |  |  |
| **2.1** | **Factory Overhead Cost Note**   |  |  | | --- | --- | | Consumable stores | 🗸129 300 | | Salaries and wages: factory workers  (97 500🗸 + 3 800🗸 + 380🗸) | ☑101 680 | | Sundry expenses: factory | 🗸31 500 | | Water and electricity (50 000🗸 + 4 000🗸) x 60%🗸 | ☑32 400 | | Insurance (24 000 🗸 – 6 000 🗸) x 3/6🗸 (24 000 x 12/16)x3/6 | ☑9 000 | |  | ☑303 880 | | | |  | | --- | |  | | **15** | |
|  |  |  |  |
| **2.2** | **Production Cost Statement for the year ended 29 February 2016**   |  |  | | --- | --- | | **Direct material** | **350 000** | | **Direct labour cost** balancing figure cannot be 0 or less | ☑190 000 | | **Prime cost/Direct cost**  TCOP - FOHC | ☑ 540 000 | | **Factory overhead cost** see 2.1 | ☑303 880 | | **Total cost of production** operation bottom up | ☑843 880 | | Work-in-process at beginning of year | 🗸30 640 | |  | 874 520 | | Work-in-process at end of year | 🗸(9 320) | | **Cost of production of finished goods**  10 500 x 82,40 | 🗸🗸865 200 | | | |  | | --- | |  | | **8** | |
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| --- | --- | --- | --- | --- | --- |
| **ACTIVITY 3: INFINITY HATS** | | | | |  |
|  |  | | | |  |
| 3.1 | **Factory Overhead Cost Note** | |  | |  |
|  | Indirect factory materials (5 950 + 36 000 – 8 750) | | 33 200 | 🗸🗸 | |  | | --- | |  | | **14** | |
|  | Salaries and wages (2 900 000 x 10%) | | 290 000 | 🗸🗸 |
|  | Rent expense (291 000 x 240/300) | | 232 800 | 🗸🗸 |
|  | Insurance (49 200 🗸 x 12/15 🗸 x 4/10 🗸)  (49 200 – 9 840) or 39 360 two marks | | 15 744 | 🗹\* |
|  | Telephone (28 800 x 20/40) / 57 600 X 20/80 | | 14 400 | 🗸🗸 |
|  | Sundry factory expenses | | 189 856 | 🗸 |
|  | If some figures above are in brackets, penalise on this method mark only  If all figures in brackets award the marks | | 776 000 | ☑\* |
|  |  |  | \*One part correct | |  |
| **3.2** | **Production Cost Statement for the year ended 28 February 2017** | | | |  |
|  |  |  |  | |  |
|  | Direct materials cost check operation; must be PC – DLC; must be positive | | 2 743 000 | ☑ | |  | | --- | |  | | **10** | |
|  | Direct labour cost (2 900 000 x 45%) | | 1 305 000 | 🗸🗸 |
|  | **Prime cost** check operation; must be 4 824 000 - FOC | | 4 048 000 | ☑ |
|  | Factory overhead cost see 3.2.1 | | 776 000 | ☑ |
|  | **Total manufacturing cost** | | **4 824 000** |  |
|  | Work-in-process at beginning check operation from figure below | | 70 000 | ☑ |
|  | check operation; must be COPOFG + WIPS at end | | 4 894 000 | ☑ |
|  | Work-in-process at end Ignore brackets | | (94 000) | 🗸 |
|  | **Cost of production of finished goods** (40 000 x 120) | | 4 800 000 | 🗸🗸 |
|  | Incorrect placement: award marks but -1 for each item misplaced (-2 max) | | | |  |

**ACTIVITY 4: GEVEN MANUFACTURERS**

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| **4.1** | **PRODUCTION COST STATEMENT**  **FOR THE YEAR ENDED 28 FEBRUARY 2017**   |  |  | | --- | --- | | **Direct material cost** (1 050 000✓ + 102 000✓) | ✓ 1 152 000 | | **Direct labour cost** Prime cost – DMC | 🗹 648 000 | | **Prime cost** | 🗸 1 800 000 | | (– 84 000 one mark +100 800 one mark)  **Factory overhead cost** (487 200✓ + 16 800✓🗸) | 🗹 504 000  operation; one part correct | | operationPrime + FOHC | ☑ 2 304 000 | | Work-in process (beginning) | ✓ 160 000 | |  | 2 464 000 | | Work-in process (end) operation TCP – subtotal above  Check that is deducted; ignore brackets  do not accept 160 000 or 0 | 🗹 (88 000) | | **Total cost of production** 7 200 x R330 No part marks | ✓🗸 2 376 000 | | |  | | --- | |  | | **14** | |
|  |  |  |
| **4.2** | **ABRIDGED INCOME STATEMENT**  **FOR YEAR ENDED 28 FEBRUARY 2017**   |  |  | | --- | --- | | **Sales** | 🗸 4 080 000 | | See TCP 2.1.1 400 x R330  **Cost of sales** (336 000 🗸+ 2 376 000 ☑ – 132 000 🗸🗸)  **OR** 8 000–1 200 no part marks  (1 200 x R280) + (6 800 x R330) Could do FGS account  one mark two marks one mark | ☑ (2 580 000)  Ignore brackets | | **Gross profit** Sales – COS | 🗹 1 500 000 | | 20% x 126 000  126 000–100 800  (– 42 000 + 25 200 one method mark)  **Administration cost** (148 400✓ – 16 800 ☑ see 2.1.1) | 🗹 (131 600)  one part correct  Ignore brackets | | **Selling and distribution cost** (422 000✓ – 102 000✓)  One part correct | ☑ (320 000)  Ignore brackets | | **Net profit** operation (subtract AC & SDC) one part correct | 🗹 1 048 400 | | |  | | --- | |  | | **14** | |

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| --- | --- | --- |
| **ACTIVITY 5: HEALTHY LIFESTYLE COOKWARE** | |  |
|  |  |  |
| **5.1** | **Calculate the variable cost per unit for 2015.** |  |
|  | 2 160 000 ✓/ 27 000 🗸 =R 80 ☑ one part correct | |  | | --- | |  | | **3** | |
|  |  |  |
|  | **Calculate the break-even point for 2015.**  See above  2 850 000 ✓ / R175 ✓– R80 ☑ = 30 000 units ✓☑ one part correct  R95 2 marks | |  | | --- | |  | | **5** | |

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| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| **5.2** | **Explain why the owner should be concerned about the break-even point and level of production. Provide TWO points. Provide figures.**  There must be an explanation in each case   |  |  | | --- | --- | | **Point 1** | Current production of 27 000 is less than the break-even point of 30 000 units See above Figures ✓✓ Explanation ✓✓ | | **Point 2** | Low level of production / Decrease in the level of production from 32 000 units in 2014 to 27 000 in 2015.  Figures ✓✓ Explanation ✓✓ | | **OR** | BEP increased from 28 000 to 30 000 units See above – need to produce more units to break even. | |  |  | |  |
|  | |  | | --- | |  | | **4** | |
|  |  |  |
| **5.3** | **Identify ONE other problem relating to this business. Provide figure(s).**  Figures ✓ Problem ✓Accept valid alternatives   * Increase in VC/u from R65 to R80 / increase in FC of R190 000 / decrease in turnover by R235 000. * A small percentage increase in selling price (9,4%) is not adequate to cover costs. * Selling price of R175 is higher than the R170 of the competitor. Difficult to compete in the market for pots. * Loss made in 2015: 4 725 000 – (2 850 000 + 2 160 000) = (285 000); compared to profit in previous year of R220 000. | |  | | --- | |  | | **2** | |
|  |  |  |

**ACTIVITY 6: CHARLEY’S MANUFACTURERS**

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| **6.1.1** | **Calculate the total selling and distribution costs.**  R15 x 5 500 = R82 500 ✓✓ | |  | | --- | |  | | **2** | |

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| **6.1.2** | **Calculate the administration cost per unit.**  R66 000 / 5 500 = R12 ✓✓ | |  | | --- | |  | | **2** | |

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| **6.1.3** | **Calculate the total cost of production for 2012.**  522 500 ✓ + 275 000 ✓ + 165 000 ✓ = R962 500 🗹  **OR**  2 marks 1 mark  (95 + 50 + 30) x 5 500 = R962 500 | |  | | --- | |  | | **4** | |

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| **6.2.1** | **Calculate the break-even point for 2012.**  231 000 🗸✓  250 ✓ - 160 ✓✓  = 2 567 units or 2 566,7 🗹 | |  | | --- | |  | | **6** | |

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| **6.2.2** | **Will Charley be satisfied with the number of units produced? Explain quoting figures to support your answer.**  Yes / No ✓ Valid explanation ✓✓  Answer for yes:  He is producing 2 933 units more than the break-even point.  Answer for no:  He is producing and selling less (5 500 units) than he did last year (6 300 units) | |  | | --- | |  | | **3** | |

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| **6.3.1** | **Direct materials cost: Explain why Charley should not be too concerned about the direct materials cost. Provide figures to support your answer.**  Explanation 🗸 Figure(s) 🗸  The increase is only R1 per unit which is less than 1% (less than the inflation rate of 6%) | |  | | --- | |  | | **2** | |

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| **6.3.2** | **Direct labour cost and factory overhead cost: Provide figures to explain why direct labour and factory overhead cost should be of major concern to him. In each case, name a possible problem which led to an increase in each of these costs. Provide practical advice to solve each of the problems you have suggested.**   |  |  |  | | --- | --- | --- | |  | **DIRECT LABOUR  COST** | **FACTORY OVERHEAD COST** | | **Explanation with figures**  Explanation 🗸 🗸  Figures 🗸 🗸 | The increase of R18 per unit in the DLC amounts to 56 % (which is significantly higher than the inflation rate of 6%)  NB: Do not accept salary/wage increases. | The increase of R9 per unit in the FOHC amounts to 43% (which is significantly higher than the inflation rate of 6%) | | **Possible problem which led to an increase in the cost** 🗸 🗸 | The workers were inefficient.  Too much overtime worked at higher rate. | The number of units produced is lower than that of the previous year / an expense such as rent or depreciation or could have increased significantly | | **Practical advice to solve this problem**  🗸 🗸 | Inspect the work process/better training of workers | Increase the production levels to take advantage of economies of scale/ inspect the individual fixed costs to try to control them and look for cheaper options | | |  | | --- | |  | | **8** | |

|  |  |  |  |
| --- | --- | --- | --- |
| **ACVTIVITY 7: KHUMALO’S CATERING** | | |  |
|  |  |  |  |
| **7.1** | **Identify ONE unit cost for doughnuts and TWO unit costs for pies that were major problems in 2014, considering that the inflation rate was 5%.** | |  |
|  | |  |  | | --- | --- | | **ONE unit cost for doughnuts**  ✓✓✓ ✓✓✓ | **Problem and advice**  ✓✓✓ ✓✓✓ | | **Variable costs** now R5,00 /  R4,30 🡪 R5,00 (16,3%)  **OR**  Direct labour cost now R1,90 /  R1,55 🡪 R1,90 (+ 23%)  **OR**  Selling & distribution cost now R1,15  R0,70 🡪 R1,15 (+ 64%)  Do not accept Administration cost | Must mention either DLC or S&DC  **Possible cause of the problem:**  Workers are not operating efficiently/Wages increased/More overtime  **Advice:**  Assess the efficiency of workers’/Offer incentives/Time and motion studies/Restrict overtime/Train workers to be more efficient/Improve supervision  **OR**  **Possible cause of the problem:**  Salespersons not efficient/Transport costs increased/Bad debts/Theft of fuel/Increase in fuel prices  **Advice:**  Offer commission on sales/Look for cheaper forms of transport/Training/ Plan trips better | | |  |

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  | |  |  | | --- | --- | | **TWO unit costs for pies**  **(Quote figures.)** | **Problem and advice**  Both must be specific, not general FC & VC | | Direct material cost now R5.05 /  R2,20 🡪 R5,05 (+ 130%) | Must cover **DMC**  **Possible cause of the problem:**  Lack of expertise of workers/Poor quality raw materials/Increased raw materials cost/Theft of raw materials/Wastage  **Advice:**  Investigate causes of wastage/Look for a cheaper supplier/Better quality of raw material/Better training/Improve security | | Factory overhead cost now R3,38  R2,50 🡪 R3,38 (+ 35%)  Do not accept Administration cost | Must cover **FOHC**  **Possible cause of the problem:**  Low production increased fixed cost per unit/  Increase in certain costs, e.g. rent  **Advice:**  Increase units produced to reduce unit cost/Advertise the product better/Diversify the range/Economise on expenses, e.g. rent/water/ electricity | | | | |  | | --- | |  | | **12** | | |
|  |  | | |  | |
| **7.2** | **Calculate the number of extra doughnuts he must produce and sell to make an additional profit of R15 000. Assume that the unit costs and selling price for 2014 remain unchanged.** | | |  |
|  | **If candidates use alternative methods, search for key figures to earn marks**  15 000 🗸/ 3,00 🗸🗸  = 5 000 extra units ☑  one part correct | | **OR**  FC Exis NP Extra NP  64 900 + 100 100 + 15 000  (R8 – R5) **R3,00** Contrib  (2 marks)  = **60 000** to be made (1 mark)  – 55 000 currently made  **= 5 000** units extra (1 method mark) | |  | | --- | |  | | **4** | |
|  |  |  | |  |
| **7.3** | **Name the product which has been negatively affected by the new competitor.**  Pies 🗸  **Comment on how this would have affected the net profit on this product.**  🗸🗸 **Sales & production decreased** (44 000 🡪 35 000 units) / Ben has had to limit his price (to R12,50) / Reduction in price led to decrease in contribution (R6,15 🡪 R4,20)  🗸 **Production** is less than **BEP**  🗸 This means that a **loss will be made** on the pies. | | | |  | | --- | |  | | **5** | |

**BUDGETING**

**ACTIVITY 8:**

**8.1 DEBTORS COLLECTION SCHEDULE:**

|  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- |
| **MONTH** | **CREDIT SALES** | | **MAY** | | **JUNE** | | **JULY** | |
| **March** | **49 000** |  | **8 820** |  |  |  |  |  |
| **April** | **58 800** |  | **29 400** |  | 10 584 |  |  |  |
| **May** | **51 800** |  | **14 763** |  | **25 900** |  | **9 324** |  |
| **June** | 63 000 |  |  |  | **17 955** |  | 31 500 |  |
| **July** | **56 000** |  |  |  |  |  | 15 960 |  |
| **CASH FROM DEBTORS** | | | **52 983** |  | 54 439 |  | 56 784 |  |

**8.2 CASH BUDGET (EXTRACT)**

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
| **CASH RECEIPTS** | **MAY** | | **JUNE** | | **JULY** | |
| **Cash sales** | **12 950** |  | 15 750 |  | 14 000 |  |
| **Cash from debtors** | **52 983** |  | 54 439 |  | 56 784 |  |
|  |  |  |  |  |  |  |
| **CASH PAYMENTS** |  |  |  |  |  |  |
| **Cash purchases of stock** | **14 800** |  | 18 000 |  | 16 000 |  |
| **Payments to creditors** | **21 000** |  | 25 200 |  | 22 200 |  |

**Workings: Calculation of the cost of sales and credit purchases:**

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
|  | **MARCH** | **APRIL** | **MAY** | **JUNE** | **JULY** |
| **Sales** | **R61 250** | **R73 500** | **R64 750** | **R78 750** | **R70 000** |
| **Cost of Sales**  x 100/175 | 35 000 | 42 000 | 37 000 | 45 000 | 40 000 |
| **Credit Purchases**  COS x 60% | 21 000 | 25 200 | 22 200 | 27 000 | 24 000 |

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| **ACTIVITY 9: BRAKPAN STATIONERS** | | | |  | |
|  | | | | | |
| **9.1** | **Explain the importance of comparing budgeted figures with actual figures achieved for the same period.** | | | |  |
|  | One valid explanation 🗸🗸    Deviations can be determined and remedial measures will be put in place  Establish whether the budgeting was realistic  To identify trends of mismanagement of cash | | | | |  | | --- | |  | | **2** | |
|  |  | | | |  |
| **9.2** | **Calculate the missing amounts (indicated by a, b and c) in the Debtors' Collection Schedule for the budgeted period March to May 2015.** | | | |  |
|  | |  |  |  | | --- | --- | --- | | **a** | 6 048 | 🗸🗸 | | **b** | 5 320 | 🗸 | | **c** | 15 750 | 🗸 | | | | | |  | | --- | |  | | **4** | |
|  |  |  |  |  |  |
| **9.3.1** | **Calculate the budgeted total sales for March 2015.** | | | | |  | | --- | |  | | **2** | |
|  |  | |  |  |
|  | 10 500 x 100/20 = 52 500 🗸🗸 | | | |
|  |  |  | | |  |
| **9.3.2** | **Calculate the amount budgeted for payments to creditors during May 2015.** | | | |  |
|  | 40 000  70 000 🗸 x 100/175 🗸 x 70% 🗸 = 28 000 ☑ any one part correct  or  12 000/30 x 70 = 28 000 | | | | |  | | --- | |  | | **4** | |
|  |  |  | | |  |
| **9.3.3** | **Calculate the budgeted salaries of the shop assistants for April 2015.** | | | |  |
|  | 102 000/12 = 8 500 8 500 x 3 = 25 500  15 300 x 9 = 137 700  25 500🗸 + 137 700🗸 = 163 200☑ any one part correct  OR: 102 000 one mark + 61 200 one mark = 163 200  (102 000 X 80% X 9/12) | | | | |  | | --- | |  | | **3** | |

|  |  |  |  |
| --- | --- | --- | --- |
| **9.3.4** | **Calculate the % increase in the salary of the manager expected in May 2015.** | |  |
|  | 3 200 (1 mark)  (19 200 – 16 000) 🗸/16 000 🗸 = 20% ☑ any one part correct | | |  | | --- | |  | | **3** | |
|  |  |  |  |
| **9.3.5** | **Calculate the amount of the additional loan expected to be acquired on 1 April 2015.** | | |  | | --- | |  | | **3** | |
|  | 875🗸 x (100 x12) /14 🗸 = 75 000☑ any one part correct | |

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| --- | --- | --- | --- | --- | --- |
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| **9.4** | **An official of the local municipality has offered to recommend Brakpan Stationers to supply stationery to the value of R500 000. However, he will only do this if he is paid R20 000 in cash.** | | | |  |
|  | **Give advice in this regard. State TWO points.**  Any two suggestions 🗸🗸 🗸🗸   * This is actually a bribe which is unethical. * If this information is made public, it will have a negative effect on the business. * Owner must tender formally to secure contract through the normal processes. | | | | |  | | --- | |  | | **4** | |

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| **9.5** | **Identify THREE over-payments in April. Provide figures to support your answer. Provide a valid reason for each over-payment to support his decisions.**   |  |  |  | | --- | --- | --- | |  | **Over-payment with figures**  Item and figure 🗸 🗸 🗸 | **Valid reason**  🗸 🗸 🗸 | | **1** | The bonus of the manager in February 2015 (R24 000) was not taken into account. | He has retained the services of a valuable employee | | **2** | Purchase of vehicle (R180 000) | The difference between motor vehicle expenses and delivery expenses is R5 200 per month | | **3** | Cash purchase of merchandise (R28 000) was significantly higher than the budgeted figure (R12 000) | Possibly to take advantage of bulk discounts on purchases | | |  | | --- | |  | | **6** | |
|  |  |  |
|  | **Explain how this difference of opinion with his wife can be avoided in future.**  They should have a specific meeting to determine the budget jointly and owner should consult his wife before spending on unbudgeted items. 🗸🗸 | |  | | --- | |  | | **2** | |
| **State TWO other strategies that owner and his wife could consider in future to improve the results of the business.**  Any two valid points: 🗸 🗸   * Advertise monthly / Reduce number of shop assistants. * Reinstate deliveries to customers / Negotiate longer credit terms | |  | | --- | |  | | **2** | |

**ACTIVITY 10: DIY HARDWARE**

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| **10.1** | **Identify TWO items that Mabel has incorrectly entered in the Cash Budget.**  Two items 🗸🗸 🗸🗸   * Depreciation * Furniture bought on credit | |  | | --- | |  | | **4** | |

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| **10.2** | **Apart from the items above, name TWO other items in the Payments Section of the Cash Budget that would NOT appear in a Projected Income Statement.**  Any two items 🗸🗸 🗸🗸  Expected responses:   * Payment to creditors / Repayment of loan / Purchase of vehicle / Drawings   Cash purchases of stock | |  | | --- | |  | | **4** | |

|  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- |
| **10.3** | **Identify or calculate A and B. Indicate negative figures in brackets.**   |  |  | | --- | --- | | **A** | R35 350 🗸 | | **B** | (R17 050) 🗸🗸 | | |  | | --- | |  | | **3** | |

|  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- |
| **10.4** | **Identify or calculate the missing figures** **C and D in the extract from the Cash Budget**   |  |  | | --- | --- | | **C** | 160 000 🗸 x 100/133⅓ 🗸 = 120 000; 120 000 x 50% 🗸 = R60 000 ☑ | | **D** | 60 000 🗸 x 95% 🗸 = 57 000 ☑ any one part correct | | |  | | --- | |  | | **7** | |

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| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| **10.5** | **Complete the Debtors' Collection Schedule for February 2013.**   |  |  |  | | --- | --- | --- | |  | **Credit sales** | **February collections** | | **December** | **R80 000** | 🗸🗸 14 400 | | **January** | 🗸🗸 R64 000 | 🗸🗸 32 000 | | **February** | **R56 000** | 🗸🗸 16 800 | | **TOTAL** operation | | 🗸☑ 63 200 | | |  | | --- | |  | | **10** | |

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| **10.6** | **Calculate the percentage increase in salary and wages with effect from 1 February 2013.**  1 800 /15 000 x 100 = 12 % 🗸🗸 | |  | | --- | |  | | **2** | |

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| --- | --- | --- | --- | --- |
| **10.7** | **Calculate the interest on the fixed deposit for January 2013.**  42 000 x 7% / 12 = R245 🗸🗸 | |  | | --- | |  | | **2** | |

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| **10.8.1** | **Calculate the delivery expenses for January 2013.**  R160 000 x 8% = R12 800 🗸🗸 | |  | | --- | |  | | **2** | |

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| **10.8.2** | **John is of the opinion that this expense is costing him too much. Which TWO points should John consider before deciding on whether to discontinue this service?**  Two factors 🗸🗸 🗸🗸   * Whether his competitors are offering the service or not * What the reaction from his customers will be should he withdraw the * The possibility of charging customers for the delivery service * The possibility of finding a cheaper delivery service * The possibility of using his own vehicles instead of subcontracting | |  | | --- | |  | | **4** | |

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| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| **10.9** | **Explain what you would say to John about each item at the end of January 2013. Give ONE point of advice in each case.**   |  |  |  | | --- | --- | --- | |  | **Comment** 🗸 🗸 🗸 | **Advice** 🗸 🗸 🗸 | | **Advertising** | As he did not spend any money on Advertising, this will probably mean that he will not achieve his budgeted sales | Make sure that he utilises the advertising budget fully each month (it is there for a purpose) | | **Stationery** | Spent significantly more than budgeted figure. | Ensure that there is no wastage of stationery. / Keep unused stationery secured. / find a cheaper supplier | | **Staff training** | Under spent on the budget which means that staff might not be interacting well with customers | He must consider that staff training affects the manner in which staff interacts with customers which leads to efficiency and goodwill. | | |  | | --- | |  | | **6** | |

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| **10.10** | **Consider each of the options below and explain ONE other advantage and ONE disadvantage related to each option.**   |  |  |  | | --- | --- | --- | |  | **Other Advantage 🗸 🗸 🗸** | **Disadvantage 🗸 🗸 🗸** | | **Option 1:**  **Raise a new loan at an interest rate of 14% p.a. to be repaid over 36 months** | He will own the assets and they could last longer than five years if he takes good care of them. | He has to pay interest of R1 750 per month + R4 167 per month to repay the loan. | | **Option 2:**  **Hire (lease) the assets from IT Connect Ltd at R5 100 per month** | He does not have to raise a loan/does not have to pay interest on the loan./ he will not have to pay repair costs | The lease charges are expensive, R5 100 per month (R306 000 over the expected life span of five years.)/never owns the assets but continues to pay | | **Option 3:**  **Invite his friend James to become an equal partner in the business and provide capital of R150 000** | He will have the necessary funds to purchase the assets which will then belong to the business / share workload and skills | He will have to share half his profits with his new partner. | | |  | | --- | |  | | **6** | |

|  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- |
| **ACTIVITY 11: DAWN DISTRIBUTORS** | | | | |  | | |
|  |  | | | | |  | |
| 11.1 | | **Identify TWO items that Mabel has incorrectly entered in the Cash Budget.** | | | | |  |
|  | | Any TWO 🗸 🗸  Cost of sales / Discount received / Depreciation / Trading stock deficit | | | | | |  | | --- | |  | | **2** | |
|  | |  | | | | |  |
| 11.2 | | **A** | **Gross profit** | 120 000 – 75 000 = 45 000 🗸🗸 | | |  |
|  | | **B** | **Cost of sales** | 132 000 🗸 x 100/160  🗸🗸 = 82 500 ☑  Or: 132 000 x 62,5% or 132 000 – (132 000 x 37,5%) | | |  |
|  | | **C** | **Advertising** | 2 400/120 000 = 2%  132 000 🗸 x 2% 🗸🗸 = 2 640 ☑ | | |  |
|  | | **D** | **Salaries** | 17 100 x 108% = 18 468 🗸☑  Or 17 100 + 1 368 = 18 468 | | |  |
|  | | **E** | **Net Profit after tax** | 17 040  (17 625 – 585) x 30% = 5 112  17 040 🗸– 5 112 🗸🗸 = 11 928 ☑ | | | |  | | --- | |  | | **16** | |
|  | |  | | | | |  |

|  |  |  |  |
| --- | --- | --- | --- |
| 11.3.1 | **The percentage increase in wages that the cleaners will receive in December 2015.** | |  |
|  | 176 🗸🗸  (3 376 – 3 200) x 100 = 5,5% ☑ (one part correct)  3 200 🗸 | | |  | | --- | |  | | **4** | |
|  |  |  |  |
| 11.3.2 | **The monthly salary due to the sales manager in December 2015.** | |  |
|  | (17 100 – 300) = 8 400 (8 400 🗸+ 300 🗸) x 108%🗸 = 9 396 ☑  2 (one part correct) | | |  | | --- | |  | | **4** | |
|  |  |  |  |
| 11.3.3 | **The total credit sales expected in December 2015.** | |  |
|  | (99 000 🗸 x 160% ✓) x 75% = 118 800 ☑ (one part correct) OR  132 000 X 120% = 158 400 X 75% = 118 800 | | |  | | --- | |  | | **3** | |
|  |  |  |  |
| 11.3.4 | **The loan balance on 1 November 2015.** | |  |
|  | 585 🗸 x 1200/9 🗸= 78 000 ☑ (one part correct) | | |  | | --- | |  | | **3** | |
|  |  |  |  |
| 11.4 | **Depreciation and Trading stock deficit for October 2015. In each case, provide a reason for the difference with the budgeted figures.** | |  |
|  | |  |  | | --- | --- | | **Depreciation** | **Any reasonable answer 🗸**  Purchase of a new asset.  Calculation error (omission). | | **Trading stock deficit** | **Any reasonable explanation 🗸**  Unanticipated stock loss / Random stock take revealed stock shortage.  Damaged goods noted and taken into account. | | | |  | | --- | |  | | **2** | |
| 11.5 | **Refer to the actual figures for October 2015.**  **Comment on any two expenses that were not well controlled by the business.** | |  |
|  | |  |  |  | | --- | --- | --- | | **EXPENSE** | **COMMENT (with figures)** | **SUGGESTION** | | Any TWO of :  Maintenance  Telephone  Advertising | Comment and figure 🗸🗸 each  Over budgeted/underspent.  (4 000 – 1 650)  Overspent / under budgeted.  (2 000 – 4 280) over 50%  Underspent / over budgeted.  2 400 – 1 900 | Suggestion 🗸 each  Adjust budget or use the money wisely to maintain the assets. This could extend the lifespan and productivity of the assets.  Control usage or check for misuse. Budget correctly if found to be necessary.  Spend money allocated. Look at different forms of advertising.  May result in better sales/profit. | | | |  | | --- | |  | | **6** | |

**FIN**