



basic education

Department:
Basic Education
REPUBLIC OF SOUTH AFRICA

SENIOR CERTIFICATE EXAMINATIONS/ NATIONAL SENIOR CERTIFICATE EXAMINATIONS

ACCOUNTING P2

2023

MARKS: 150

TIME: 2 hours

**This question paper consists of 13 pages,
a formula sheet and a 10-page answer book.**

INSTRUCTIONS AND INFORMATION

Read the following instructions carefully and follow them precisely.

1. Answer ALL questions.
2. A special ANSWER BOOK is provided in which to answer ALL questions.
3. A Financial Indicator Formula Sheet is attached at the end of this question paper.
4. Show ALL workings to earn part-marks.
5. You may use a non-programmable calculator.
6. You may use a dark pencil or blue/black ink to answer questions.
7. Where applicable, show ALL calculations to ONE decimal point.
8. Write neatly and legibly.
9. Use the information in the table below as a guide when answering the question paper. Try NOT to deviate from it.

QUESTION	TOPIC	MARKS	MINUTES
1	Bank Reconciliation	30	25
2	Inventory Valuation	35	30
3	Cost Accounting	45	35
4	Budgeting	40	30
TOTAL		150	120

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QUESTION 1: BANK RECONCILIATION**(30 marks; 25 minutes)**

1.1 Indicate whether the following statements are TRUE or FALSE. Write only 'true' or 'false' next to the question numbers (1.1.1 to 1.1.3) in the ANSWER BOOK.

1.1.1 A credit balance on the Bank Statement means that the business has a positive balance in the bank.

1.1.2 A debit card may be used to withdraw cash from an ATM.

1.1.3 A bank overdraft is a short-term loan that is transferred into the business current bank account. (3)

1.2 **VIOLET STORES**

The information was extracted from the records of the business for April 2023.

- Violet uses the official Bank Statement which is available on the 25th of each month to complete the monthly reconciliation process.
- She also uses her EFT transaction records (renumbered) to complete the Cash Payments Journal.

REQUIRED:

1.2.1 Update the totals for the Cash Receipts Journal and Cash Payments Journal for April 2023. Use the table provided in the ANSWER BOOK. (10)

1.2.2 Calculate the correct Bank Account balance on 30 April 2023. (4)

1.2.3 Prepare the Bank Reconciliation Statement on 30 April 2023. (9)

1.2.4 Violet noticed problems with the depositing of cash. Explain TWO measures that she can use to address these problems. (4)

INFORMATION:**A. Extract from the Bank Reconciliation Statement on 31 March 2023:**

Favourable balance as per Bank Statement	R12 200
Deposits not on Statement: 18 March 2023	23 600
28 March 2023	37 200
Outstanding EFTs: EFT 768	5 480
EFT 769	17 800
Favourable balance as per bank account	49 720

- The outstanding deposit on 18 March 2023 appeared on the April 2023 Bank Statement.
- The deposit on 28 March 2023 appeared as R22 200. An investigation revealed that the cashier has disappeared with the outstanding amount. It was decided to write off the outstanding amount.
- Both the EFTs were on the April Statement, but EFT 768 appeared with the correct amount of R4 580.

B. The provisional totals in the Cash Journals before receiving the Bank Statement:

Cash Receipts Journal: R115 600 Cash Payments Journal: R217 800

**C. Information on the April 2023 Bank Statement
None of these items appeared in the April Cash Journals:**

Debit order: Brylet Municipality	R2 880
Cash handling fees	R220
Deposit: Y Marigold	R8 400
Deposit: Bentley Microloans	R65 000
Cash withdrawal	R740
Investment matured	R18 300
EFT transaction fees	R360
EFT transaction fees	R360

D. Additional Information:

- The debit order to Brylet Municipality was for water and electricity.
- Y Marigold, the tenant, deposited the monthly rent.
- The deposit from Bentley Microloans did not relate to the business. The bank was informed of this error.
- The cash withdrawal of R740 was for fuel for the owner's vehicle.
- The EFT transaction fees were duplicated on the Bank Statement in error.

E. The Cash Journals reflected the following entries that did not appear on the April 2023 Bank Statement:

- Deposit of R22 500 on 30 April 2023
- EFT 883 for R9 520 for stationery purchased
- EFT 884 for R12 530 for repairs to the buildings

F. Bank Statement balance on 30 April 2023: R?

QUESTION 2: INVENTORY VALUATION**(35 marks; 30 minutes)**

Mandie Jones is the owner of TV City that sells TV sets and has two branches (shops) in KZN. The periodic stock system is used. No missing items were recorded for the financial year ended 28 February 2023.

2.1 Howick branch

This branch sells **Arctic TV sets**.

2.1.1 Calculate the value of the closing stock of the Arctic TV sets on 28 February 2023 using the first-in-first-out (FIFO) method. (5)

2.1.2 Calculate the stockholding period (in days) using the closing stock figure (3)

ARCTIC TV SETS	UNITS	COST PRICE PER UNIT	TOTAL AMOUNT
Opening stock: 1 March 2022	280		
Purchases	1 600		6 310 000
May 2022	500	R3 800	R1 900 000
August 2022	400	3 950	1 580 000
September 2022	400	4 000	1 600 000
January 2023	300	4 100	1 230 000
Returns	60	4 100	(246 000)
Closing stock: 28 February 2023	270		?
Cost of sales			R6 010 000
Sales	1 550	R5 000	R7 750 000

2.2 Durban Branch

This branch sells **Pacific and Caspian Smart TV sets**.

Mandie was concerned about the following issues:

- The Caspian Smart TV sets would be too expensive for her customers.
- High stock levels in all her products might negatively affect the business.

Mandie expected to sell 1 000 Pacific TV sets in the 2023 financial year. She therefore adjusted the selling price of the Pacific TV sets in September and asked the bookkeeper to provide an analysis of the quarterly sales.

Refer to Information A and B.

2.2.1 Calculate the value of the closing stock of the Pacific TV sets on 28 February 2023 using the specific identification method. (4)

2.2.2 Calculate the gross profit earned on sale of the new Caspian Smart TV sets. (3)

- 2.2.3 Comment on the quarterly sales of the Pacific TV sets and explain whether or not Mandie's adjustment of the selling price was a wise decision. Quote figures or calculations. (4)
- 2.2.4
- Comment on the stockholding periods of the Pacific and Caspian TV sets. (4)
 - Explain how the different holding periods affect the business financially. (4)
 - Explain what these periods indicate about the preferences of the customers. Quote figures or calculations. (4)
- 2.2.5 Provide TWO points of advice to Mandie on how she can rectify the high stock levels of some of her products without reducing prices offered to customers any further. (4)

INFORMATION:**A. Durban branch stock records**

TV SETS	PACIFIC		CASPIAN SMART	
Cost price	R9 300		R10 200	
Mark-up % on cost	Fluctuating		60%	
Stock records	UNITS	TOTAL (R)	UNITS	TOTAL (R)
Stock on 1 March 2022	350	3 255 000		
Purchases	800	7 440 000	800	8 160 000
May 2022	400	3 720 000		
August 2022	400	3 720 000		
September 2022*			800	8 160 000
Sales	765	9 408 500	670	10 934 400

*The branch started selling the new Caspian Smart TV sets on 1 September 2022.

B. Quarterly sales

The bookkeeper provided Mandie with the following analysis of quarterly sales and stockholding periods:

SALES PER QUARTER	PACIFIC			CASPIAN SMART	
	UNITS	SELLING PRICE PER TV	TOTAL SALES	UNITS	TOTAL SALES
Mar.–May	250	R13 500	R3 375 000	-	
June–Aug.	245	13 500	3 307 500	-	
Sep.–Nov.	160	10 300	1 648 000	340	R5 548 800
Dec.–Feb.	110	9 800	1 078 000	330	5 385 600
Stockholding period	184 days			71 days	

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QUESTION 3: COST ACCOUNTING**(45 marks; 35 minutes)****3.1 LADOO MANUFACTURERS**

The business manufactures leather purses. The financial year ended on 28 February 2023.

REQUIRED:**3.1.1 Refer to Information C.**

Calculate the factory overhead cost. (8)

3.1.2 Prepare the Production Cost Statement on 28 February 2023. (10)

INFORMATION:

A. Work-in-progress stock balance on 1 March 2022 was R542 000.

B. Details of the workers in production:

Number of workers	40
Basic (normal) wage rate	R60 per hour
Normal time hours worked by each worker	1 920 hours
Overtime (in total)	R1 142 000

C. The bookkeeper calculated the factory overhead cost at R2 638 600.

The following costs were omitted and must be taken into account:

- Insurance is a fixed monthly premium for the entire financial year. The amount paid, R235 950, includes the premium for March 2023. $\frac{2}{3}$ of this expense relates to the factory.
- Water and electricity allocated to the office was R69 200. Note that water and electricity is shared according to floor space, as follows:

Factory	Sales	Office
560 m ²	240 m ²	160 m ²

The following entry must be corrected:

Rent of R316 000 was recorded in the factory overhead cost. However, the bookkeeper used the incorrect ratio of 2 : 5 : 1 for Factory, Sales and Office. The correct ratio is 5 : 2 : 1 respectively.

D. Total prime cost for the year amounted to R12 500 000.

E. Total production for the year, 33 500 units, were produced at a cost of R475 per unit.

3.2 STYLZ MAKER

The business manufactures designer shirts. The financial year ends on 30 April each year. The business is owned by Lez Styles.

REQUIRED:

NOTE: Provide evidence in the form of figures or calculations to support the comments and explanations required below.

3.2.1 Break-even point, production and profit:

- Do a calculation to confirm that the break-even point for 2023 is correct. (3)
- Comment on the level of production and the break-even point for the past two years. Explain whether Lez Styles would be happy about the trends in these results and the profit he is earning. Provide figures or calculations. (4)

3.2.2 Fixed costs:

Explain why Lez is not concerned about the fixed costs increasing to R6,1 m in 2023. Quote figures. (4)

3.2.3 Selling and distribution cost:

- Identify how the selling and distribution costs in total and per unit changed over the two years. (2)
- Explain TWO reasons why Lez deliberately wanted to adjust this cost. (2)

3.2.4 Direct material and direct labour: Refer to Information A and C.

Lez made specific decisions to improve the business and its product.

Explain how the decisions he took have benefited the business by providing:

- TWO separate points relating to the raw material (6)
- TWO separate points relating to the direct labour (6)

INFORMATION:

A. Lez's general strategic decisions with effect from 1 May 2023:

- Lez decided to improve the quality of the shirts to be more competitive and to export to retailers in other countries.
- He changed to a new supplier of the fabric (raw materials) and employed some highly skilled and creative workers to replace workers who resigned or retired.
- Factory overheads for 2023 included a training programme for factory workers (R600 000) and the hiring of equipment with the latest technology for R1,4 m per year.

B. Production and cost

	2023		2022	
Number of units produced and sold	10 500 shirts		6 500 shirts	
Selling price	R1 830		R1 430	
Break-even point	4 815 shirts		4 267 shirts	
	2023		2022	
	TOTAL R	PER UNIT R	TOTAL R	PER UNIT R
VARIABLE COSTS	5 916 000	563	3 047 500	469
Direct materials cost	3 780 000	360	1 787 500	275
Direct labour cost	936 000	89	960 000	148
Selling and distribution cost	1 200 000	114	300 000	46
FIXED COSTS	6 100 000	581	4 100 000	631
Factory overhead cost	5 600 000	533	3 600 000	554
Administration cost	500 000	48	500 000	77
TOTAL COST OF PRODUCTION	12 016 000	1 144	7 147 500	1 100

- C. Lez undertook a short course on managerial accounting to enable him to analyse the production costs more effectively every month. He has analysed the following production costs:

Raw materials:	2023	2022
Cost of fabric per metre	R200	R110
Metres of fabric per shirt (including wastage)	1,8 metres	2,5 metres
Fabric used in metres	43 200 metres	44 000 metres
Direct workers:		
Number of direct workers	12 workers	15 workers
Average wages per worker p.a.	R78 000	R64 000
Hours per worker per year	1 920 hours	1 920 hours
Hours worked by all workers	23 040 hours	28 800 hours
Average number of shirts produced per worker	875 shirts	433 shirts

QUESTION 4: BUDGETING**(40 marks; 30 minutes)**

4.1 Show the amounts for the following transactions in the appropriate columns for the Cash Budget and the Projected Statement of Comprehensive Income in the ANSWER BOOK:

4.1.1 A computer costing R26 400 will be purchased for cash on 1 July 2023. Depreciation will amount to R550 per month.

4.1.2 A fixed deposit of R90 000 will be invested on 1 July 2023. Interest at 9% p.a. will be deposited into the business bank account at the end of each month. (6)

4.2 **ALICE FURNISHERS (PTY) LTD**

The information relates to the budget period ending July 2023.

REQUIRED:

4.2.1 Complete the Debtors' Collection Schedule for July 2023. (7)

4.2.2 Calculate missing figures (i) to (iii) on the Cash Budget provided. (8)

4.2.3 **Salaries of workers:**

- Calculate the % increase that workers will receive in July 2023. (3)
- Give TWO reasons why you think that workers would be satisfied with this increase. (2)

4.2.4 **Advertising and delivery expenses: Refer to Information F.**

- Comment on the effectiveness of the advertising. Provide figures or calculations. (4)
- Alice is satisfied with the control over delivery expenses. Provide figures or calculations to justify her feelings. (2)
- Alice is, however, concerned about the control over each vehicle. Identify a different issue (problem) for EACH vehicle that confirms her concern. Provide figures or calculations to justify her feelings. (4)
- Provide TWO suggestions on how Alice can improve the use or efficiency of the vehicles. (4)

INFORMATION:**A. Sales and cost of sales:**

	APRIL	MAY	JUNE	JULY
Sales	1 260 000	1 274 000	1 316 000	1 330 000
Cost of sales	900 000	910 000	940 000	950 000

B. Credit sales comprise 70% of total sales. Debtors pay according to the following trend:

- 20% pay in the month of sales and receive 7,5% discount.
- 55% pay in the month following the month of sale.
- 22% pay two months after the sales month.
- The balance is written off thereafter.

- C.** Stock sold is replaced in the month of sales. A base stock is maintained. 80% of stock is purchased on credit and creditors are paid two months (60 days) after the month of purchase.

D. Additional information:

The business plans to take a loan on 30 June 2023. This has been negotiated with the bank at 11% p.a. interest, payable at the end of each month and commencing on 31 July 2023.

E. Extract from the Cash Budget:

RECEIPTS	JUNE 2023 (R)	JULY 2023 (R)
Cash sales	394 800	(i)
Collections from debtors	854 952	?
Commission income	131 600	133 000
Loan: Cheetah Bank	(ii)	
PAYMENTS		
Cash purchase of stock	188 000	190 000
Payments to creditors	720 000	(iii)
Directors' fees (two directors)	52 000	49 600
Salaries of workers (including drivers)	172 000	182 320
Advertising	39 480	39 900
Delivery expenses	65 800	66 500
Packing material	78 960	79 800
Interest on loan	-	5 500
Municipal services		
Sundry expenses		

F. Advertising and delivery expenses:

- The business has two delivery vehicles and offer a free delivery service to customers.
- The budget for delivery expenses is fixed at 5% of the budgeted sales, on an average distance of 2 000 km to be covered.

Actual and budgeted figures for May 2023:

	BUDGETED/ EXPECTED	ACTUAL	VEHICLE 1	VEHICLE 2
Sales	1 274 000	1 082 900		
Advertising	38 220	36 820		
Salaries of drivers	30 000	30 000	15 000	15 000
Delivery expenses	63 700	54 100	35 500	18 600
Petrol/Fuel	47 700	40 000	26 000	14 000
Maintenance	16 000	14 100	9 500	4 600
Kilometres covered	2 000 km	1 800 km	1 260 km	540 km
Date purchased			1 Mar. 2018	1 Mar. 2022

GRADE 12 ACCOUNTING FINANCIAL INDICATOR FORMULA SHEET

$\frac{\text{Gross profit}}{\text{Sales}} \times \frac{100}{1}$	$\frac{\text{Gross profit}}{\text{Cost of sales}} \times \frac{100}{1}$
$\frac{\text{Net profit before tax}}{\text{Sales}} \times \frac{100}{1}$	$\frac{\text{Net profit after tax}}{\text{Sales}} \times \frac{100}{1}$
$\frac{\text{Operating expenses}}{\text{Sales}} \times \frac{100}{1}$	$\frac{\text{Operating profit}}{\text{Sales}} \times \frac{100}{1}$
Total assets : Total liabilities	Current assets : Current liabilities
(Current assets – Inventories) : Current liabilities	Non-current liabilities : Shareholders' equity
(Trade & other receivables + Cash & cash equivalents) : Current liabilities	
$\frac{\text{Average trading stock}}{\text{Cost of sales}} \times \frac{365}{1}$ (See Note 1 below)	$\frac{\text{Cost of sales}}{\text{Average trading stock}}$
$\frac{\text{Average debtors}}{\text{Credit sales}} \times \frac{365}{1}$	$\frac{\text{Average creditors}}{\text{Cost of sales}} \times \frac{365}{1}$ (See Note 2 below)
$\frac{\text{Net income after tax}}{\text{Average shareholders' equity}} \times \frac{100}{1}$	$\frac{\text{Net income after tax}}{\text{Number of issued shares}} \times \frac{100}{1}$ (See Note 3 below)
$\frac{\text{Net income before tax} + \text{Interest on loans}}{\text{Average shareholders' equity} + \text{Average non-current liabilities}} \times \frac{100}{1}$	
$\frac{\text{Shareholders' equity}}{\text{Number of issued shares}} \times \frac{100}{1}$	$\frac{\text{Dividends for the year}}{\text{Number of issued shares}} \times \frac{100}{1}$
$\frac{\text{Interim dividends}}{\text{Number of issued shares}} \times \frac{100}{1}$	$\frac{\text{Final dividends}}{\text{Number of issued shares}} \times \frac{100}{1}$
$\frac{\text{Dividends per share}}{\text{Earnings per share}} \times \frac{100}{1}$	$\frac{\text{Dividends for the year}}{\text{Net income after tax}} \times \frac{100}{1}$
$\frac{\text{Total fixed costs}}{\text{Selling price per unit} - \text{Variable costs per unit}}$	
NOTE: 1. Trading stock at the end of a financial year may be used if required in a question. 2. Credit purchases may be used instead of cost of sales (figures will be the same if stock is constant). 3. If there is a change in the number of issued shares during a financial year, the weighted-average number of shares is used in practice.	



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ACCOUNTING P2

MARKING GUIDELINES

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). 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 the correct answer. If answer is 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 guidelines for component parts within workings that earn no part marks, these will 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 question)
8. 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.
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 and one part correct. Note: check operation must be +, -, x, ÷ as per candidate's calculation (if valid) or per marking guidelines.
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 10 pages.

QUESTION 1

1.1

1.1.1	True	✓
1.1.2	True	✓
1.1.3	False	✓

accept T / F

3

1.2 VIOLET STORES

1.2.1 UPDATE THE CASH JOURNALS FOR 30 APRIL 2023

CASH RECEIPTS JOURNAL		#Award two marks for 5 480 in CRJ & 4 580 in CPJ together (no part marks)	CASH PAYMENTS JOURNAL	
	Amount			Amount
Total	115 600		Total	217 800
	900 [#] (5 480 – 4 580) ✓✓ two marks			15 000 ✓✓
	8 400 ✓			2 880 ✓
	18 300 ✓			740 ✓
				580 ✓
				(360 + 220) one mark;
	143 200 Must include 115 600	✓ for both totals; one part correct.		237 000 Must include 217 800

10

-1 (max -1) foreign / superfluous items (only if mark/s are earned elsewhere for the same figure)
In awarding the method mark for totals, ensure that the candidates do not get full marks for including any incorrect figure/s. Indicate with a ☒ (Principle 13)

1.2.2 Calculate the correct Bank Account balance on 30 April 2023.

Calculate the correct Bank Account balance on 30 April 2023.						
WORKINGS		ANSWER				
<div>see 1.2.1 (CRJ) see 1.2.1 (CPJ)</div> <div>49 720 ✓ + 143 200 <input checked="" type="checkbox"/> – 237 000 <input checked="" type="checkbox"/></div> <div>OR 49 720 one mark – 93 800 two m.marks</div> <div>OR 237 000 – 49 720 – 143 200 (signs reversed)</div>	<table><tr><td>49 720</td><td rowspan="3">237 000</td></tr><tr><td>143 200</td></tr><tr><td>c/d 44 080</td></tr></table>	49 720	237 000	143 200	c/d 44 080	<div>(44 080) <input checked="" type="checkbox"/></div> <div>one part correct ignore sign</div> <div>*Inspect whether DR or CR for Recon (1.2.3)</div>
49 720	237 000					
143 200						
c/d 44 080						
Be alert to alternative arrangement for calculations such as Ledger format Be alert to journal totals reflected as workings to calculate the bank balance.						

4

1.2.3

BANK RECONCILIATION STATEMENT ON 30 APRIL 2023			
	Alternative	DEBIT	CREDIT
Balance per Bank Statement <i>Do not accept 12 200 or 49 720 as balancing figure</i>	20 110	<i>Balancing figure; DR and CR totals must be the same.</i>	20 110 <input checked="" type="checkbox"/> could be DR
Outstanding deposit	22 500		22 500 ✓
Outstanding EFT No. 883	(9 520)	9 520 ✓	
No. 884	(12 530)	12 530 ✓	
Error on statement	(65 000)	65 000 ✓✓	
Correction of error	360		360 ✓✓
Balance as per Bank Account	(44 080)	<i>*could be DR</i>	44 080 <input checked="" type="checkbox"/>
		87 050	87 050

**check 1.2.2 to assess if candidate has calculated a favourable or overdraft balance.*

-1 Presentation (inappropriate / no details provided);

-1 foreign items / superfluous items, (only if mark/s are earned elsewhere for the same figure) max -1

Candidates are expected to indicate DR and CR columns

If DR and CR are not indicated, award the marks if candidate has swapped the columns for all entries (inspect balances); otherwise, assume that the first column is Debit.

In awarding the method mark for the balancing bank statement figure, ensure that the candidates do not get full marks for including any incorrect figure/s. Indicate with a ☒ (Principle 13).

9

1.2.4

Violet noticed problems with the depositing of cash. Explain TWO measures that she can use to address these problems.

TWO valid points ✓✓ ✓✓

part marks for incomplete / unclear responses

Must relate to the cash deposits of the business.

- Implement a depositing routine / policy on daily or regular depositing.
- Employ a different person to be responsible for depositing money (division for duties *for one mark*).
- Engage the services of a cash in transit company (security services) / or split large amounts into smaller deposits.
- Supervise / conduct independent check / authorise funds to be deposited / inspect documentation (deposit slips) before and after deposit times.
- Encourage more customers to pay by EFTs (less cash handling).
- Set up a bank notification service for all transactions (to receive SMS).
- Do regular or random reconciliations using mini statements from banking application, as an interim control measure / cash and credit card transactions can also be reconciled daily, to avoid errors later.

4

TOTAL MARKS

30

QUESTION 2

2.1.1 – 2.2.2: check workings when awarding method mark on final answer for reasonableness.

2.1.1**Calculate: Value of the closing stock of the Arctic TV sets using the FIFO method on 28 February 2023**

WORKINGS	ANSWER
<p>[300 – 60] one mark [270 – 240] one m.mark</p> <p>240 ✓ x R 4 100 ✓ + 30 ✓ x R 4 000 ✓</p> <p>984 000 two marks 120 000 two marks</p> <p>If only amounts are used:</p> <p>[1 230 000 – 246 000] two marks [1 600 000 – 1 480 000] two marks</p> <p>984 000 120 000</p>	<p>1 104 000 ✓</p> <p>one part correct, if the two stock values are added.</p>

5

2.1.2**Calculate: Stockholding period (in days) of the Arctic TV sets using the closing stock figure on 28 February 2023**

WORKINGS	ANSWER
<p>Choose only ONE option see 2.1.1</p> <p><u>1 104 000</u> ✓ x 365 6 010 000 ✓</p> <p>OR: if units are used</p> <p><u>270</u> one mark x 365 1 550 one mark</p> <p>Numerator and denominator must be marked as such / all amounts are stand-alone</p>	<p>67 days ✓</p> <p>one part correct; If x 365</p> <p>Days not necessary</p> <p>OR</p> <p>63,6 days m.mark</p> <p>Accept 64 days</p>

3

2.2.1**Calculate: Value of the closing stock of the Pacific TV sets on 28 February 2023 using the specific identification method**

WORKINGS	ANSWER									
<p>Only calculation for Pacific Brand</p> <p>(350 one mark + 800 one mark)</p> <p>1 150 ✓✓ – 765 ✓</p> <p>385 three marks x R9 300</p> <p>Using stock values:</p> <table><tr><td>Opening stock</td><td>purchases</td><td>cost of sales</td></tr><tr><td>3 255 000</td><td>+ 7 440 000</td><td>– 7 114 500</td></tr><tr><td>one mark</td><td>one mark</td><td>one mark</td></tr></table> <p>Using stock balance at the end of each quarter:</p> <p>(500 + 155 – 160 – 110)</p> <p>385 units x 9 300</p>	Opening stock	purchases	cost of sales	3 255 000	+ 7 440 000	– 7 114 500	one mark	one mark	one mark	<p>3 580 500 ✓</p> <p>one part correct; If x 9 300</p>
Opening stock	purchases	cost of sales								
3 255 000	+ 7 440 000	– 7 114 500								
one mark	one mark	one mark								

4

2.2.2**Calculate: Gross profit on the Caspian Smart TV sets on 28 February 2023**

WORKINGS	ANSWER
<p>10 934 400 ✓ x [60 /160] ✓</p> <p>OR 10 200 x 60%</p> <p>R 6 120 one mark x 670 one mark</p> <p> 10 200 x 670</p> <p>OR R 6 834 000 one mark x 60% one mark</p> <p>OR 10 934 400 one mark – 6 834 000 one mark</p>	<p>4 100 400 ✓</p> <p>one part correct</p>

3

2.2.3 Comment on the quarterly sales of Pacific TV sets and explain whether or not Mandie's adjustment of the selling price was a wise decision. Quote figures or calculations.**Explanation or comment on decision**

The reduction in price was not a wise decision ✓ **because:** (any of the following) ✓
sales did not increase as expected / decline in sales over each quarter / money tied up in stock / decline in gross profit over time.

Comparative figures ✓✓ any two figures from each point (could include figures from 1st and last quarter)

- Units sold dropped per quarter (from 250 or 245 units) to 160 (by 85) to 110 (by 50) / by 56%.
- Gross profit per unit declined in each quarter (from R4 200) to R1 000 to R500.
- Sales revenue declined (from R3 375 000) to R1 078 000 in the last quarter.
- Closing stock is 35 units more than opening stock (385 – 350).

4

2.2.4 Comment on the stockholding periods of the Pacific and Caspian TV sets. Quote figures or calculations.**Comment on Pacific** ✓ **figure** ✓

SHP of 184 days (6 months) is long, and it is an older model that will not be able to be sold in the future / A decrease in units sold resulted in high stock value of R3 580 500 see 2.2.1 and lower profits.

Comment on Caspian ✓ **figure** ✓

SHP of 71 days (2,3 months) is acceptable as it is new, a durable product that can easily be sold / is in demand.

* Accept a combined answer with appropriate comments and figures: e.g. 113 days or 3,8 months (two marks).

4

Explain how the different holding periods affect the business financially. Quote figures or calculations. **Be alert to combined responses with relevant explanations / figures.****Explanation for Pacific** ✓ **Figure/s** ✓

- Pacific places the business under strain / contributes to cash flow problems.
- High closing stock value of R3 580 500 see 2.2.1 and slower rate of sales (from 250 units) to 110 units. means that money is tied up in stock / requires more liquid assets / incurs additional expenses due to insurance / storage costs / possible obsolescence, damage.

Explanation for Caspian ✓ **figure/s** ✓

- Caspian brand sells well; 340 & 330 in two quarters / sales revenue is high (R5 548 800 and R5 385 600 or R10 934 400); better gross profit (R4 100 400 see 2.2.2) / minimises the pressure on liquidity / will be able to recoup investment in stock in the near future.

4

Explain what these periods indicate about the preferences of the customers. Quote figures or calculations.**Explanation (mention both brands, or is implied)** ✓✓ **part marks for incomplete / unclear responses**

Customers not interested in the Pacific TVs (old technology) / might be negatively affected by the introduction of the newer brand / They prefer the newer, more expensive Caspian.

Figures (comparison of each brand) ✓✓

Gradual lowering of SP (from R13 500) to R9 800 of Pacific did not influence customers. They are prepared to pay more for Caspian, R16 320 vs R9 800 for better quality, or later technology, better features / low sales: compare (110 to 330 / 160 to 340 / 270 to 670) units / Caspian sells faster; 83,75% of available units were sold whilst 66,5% of Pacific was sold.

4

2.2.5 Provide TWO points of advice to Mandie on how she can rectify the high stock levels of some of her products without reducing prices offered to customers any further.

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

- Transfer TVs to the other branch (Howick) to offer an alternative at that town.
- Extend the target market / exploring other areas / guesthouses / hotels.
- Sell them in bulk to other retailers (offer bulk discounts).
- Introduce online sales as a cost-saving initiative.
- Donations / Donate as part of corporate social responsibility / tax purposes.
- Promote sales by advertising more regularly or creating package deals (combo's).
- Offer more favourable terms (lower deposit / instalments).
- Offer incentives to salespersons based on sales volume.

4

TOTAL MARKS**35**

QUESTION 3**3.1 LADOO MANUFACTURERS****3.1.1 FACTORY OVERHEAD COST**

Workings within square brackets constitute one part, cannot be separated.

TOTAL before corrections	2 638 600	
Insurance 217 800 x 2/3 [235 950 – 18 150] OR [235 950 x 12/13]	145 200	✓ <input checked="" type="checkbox"/> *
Water and electricity 69 200 x [560/160] OR 415 200 x [560/960]	242 200	✓ <input checked="" type="checkbox"/> *
Rent expenses [1 264 000 x 5/8] 316 000 ✓ x 3/2 ✓ OR 790 000 – 316 000 OR 158 000 x 3 one mark one mark one mark one mark	474 000	<input checked="" type="checkbox"/> *
operation, must include 2 638 600	3 500 000	<input checked="" type="checkbox"/> *

*one part correct

Ignore brackets; foreign items, penalise on final total.

8

3.1.2 PRODUCTION COST STATEMENT ON 28 FEBRUARY 2023

workings in square brackets constitute one part, cannot be separated.

Direct material cost Prime cost – DLC	6 750 000	<input checked="" type="checkbox"/>
Direct labour cost [40 x 60 x 1 920] two marks 4 608 000 ✓✓ + 1 142 000 ✓	5 750 000 one part correct	<input checked="" type="checkbox"/> *
PRIME COST	12 500 000	
Factory overhead cost see 3.1.1	3 500 000	<input checked="" type="checkbox"/>
TOTAL MANUFACTURING COST PC + FOHC	16 000 000	<input checked="" type="checkbox"/>
Work-in-progress at beginning of the year	542 000	
	16 542 000	
Work-in-progress at end of the year balancing figure accept a positive figure	(629 500)	<input checked="" type="checkbox"/>
COST OF PRODUCTION OF FINISHED GOODS 33 500 x 475	15 912 500	✓✓

10

Misplaced items: award marks for workings only, (See DLC)
If the final answer is correct, but no workings are provided, award the working marks only.**3.2 STYLZ MAKER****3.2.1 Do a calculation to confirm that the break-even point for 2023 is correct.**

[5 600 000 + 500 000] one mark

OR [10 500 x 581] one mark

$$\frac{R6\,100\,000 \checkmark}{R1\,830 \checkmark - R563 \checkmark} = 4\,814,5 \text{ or } 4\,815 \text{ units (given)}$$

1 267 two marks

Numerator and denominator must be marked as such / Numerator is a stand-alone figure

OR

$$\text{Sales at BEP} \quad \text{total FC} \quad \text{VC at BEP}$$

$$8\,810\,576,2 - 6\,100\,000 - 2\,710\,576,2 = 0$$

3

Comment on the level of production and the break-even point for the past two years. Explain whether Lez Styles would be happy about the trends in these results and the profit he is earning. Provide figures or calculations.

Explanation ✓✓ (must include comparison between production and BEP for full marks)
Comparative figures ✓✓

Possible responses for 4 marks:

- The business produced 5 685 units more than BEP (10 500 – 4 815) / made a profit on 5 685 units / on 54% of units produced / profit of R7 202 895 (R1 267 x 5 685).
- The business made a profit on 5 685 units in 2023 compared to a profit on 2 233 units / on 34% of units produced in 2022 (6 500 – 4 267); an additional 3 452 units.

Response for 2 marks maximum:

If production is not compared to BEP, award marks for only ONE option below:

- Production increased by 4 000 units (10 500 – 6 500) / by 61,5%.
- BEP increased by 548 units (4 815 - 4 267) / 12,8%.

4

3.2.2 Explain why Lez is not concerned about the fixed costs increasing to R6,1 m in 2023. Quote figures.

Explanation ✓✓ Figures ✓✓ part marks for incomplete / unclear responses

- Enjoys economies of scale due to an increase in production (from 6 500 units) to 10 500 units / by 4 000 units / by 61,5%.
- Fixed cost per unit decreased (from R631) to R581 / by R50 / by 7,9%, due to increased production.

4

3.2.3 Identify how the selling and distribution costs in total and per unit changed over the two years. Quote figures.

Actual comparative amounts (figures) ✓

Total S&D costs increased (from R300 000) to R1 200 000 / by R900 000 / 300%.

Per-unit comparative figures ✓

The unit costs increased (from R46) to R114 / by R68 / by 148%.

2

Explain TWO reasons why Lez deliberately wanted to adjust this cost.

Any TWO valid reasons. ✓ ✓ accept short statements

- Wanted to be more competitive in the international market.
- Wanted to reach a wider market – appeal to foreign markets.
- More affordable to overseas customers / will be prepared to pay.
- Needed to spend more to take into account exchange rates.
- Anticipated more expensive shipping costs and custom duties.

2

3.2.4

Lez made specific decisions to improve the business and its product. Explain how the decisions he took have benefited the business by providing:

Two separate points relating to the raw material. Quote figures or calculations.

* be alert to the same point expressed differently.

TWO different points explained ✓✓ ✓✓ part marks for incomplete / unclear responses	Specific figure/s for each point ✓ ✓
<ul style="list-style-type: none"> Prepared to pay a higher price for a better quality material to produce a better quality shirt. 	Paid R200 (R110 in 2022) / 81,2% per metre more.
<ul style="list-style-type: none"> Increasing the price did not deter or discourage customers from buying the new shirts. 	4 000 more shirts sold / SP increased (from R1 430) to R1 830 / by R400 / by 28%
<ul style="list-style-type: none"> Good quality material resulted in less wastage in production. 	Used 1,8m material per shirt in 2023 (2,5m in 2022). Used 43 200m to make 10 500 shirts in 2023 (44 000m for 6 500 shirts in 2022) / 800m or 1,8% less.

6

Two separate points relating to direct labour. Quote figures or calculations.

* be alert to the same point expressed differently.

TWO different points explained ✓✓ ✓✓ part marks for incomplete / unclear responses	Specific figure/s for each point ✓ ✓
<ul style="list-style-type: none"> Better recruitment and training resulted in a more motivated and efficient workforce. 	Produced an extra 4 000 units / 62% more in 2023. Average output per worker increase (from 433) to 875 shirts / 442 more / 5,5 shirts per hour compared to 3,4 shirts per hour in 2022.
<ul style="list-style-type: none"> Investment in equipment and training resulted in reduced direct labour cost. 	DLC decreased by R24 000 / DLC per unit decreased (from R148) to R89 / by 40%.
<ul style="list-style-type: none"> Decreasing the number of workers and paying an higher average wage (in recognition of skills) led to better performance in production. 	From 15 to 12 workers / Average wage increase (from R64 000) to R78 000 / by R14 000 / by 22%.
<ul style="list-style-type: none"> Maintaining the hours worked per worker resulted in a drop in the total hours in production (& a drop in total wages) but did not negatively affect production. 	1 920 hours per worker / total hours dropped (from 28 800) to 23 040 / by 5 760 / 20%. DLC decreased by R24 000.

6

TOTAL MARKS	45
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QUESTION 4

4.1

NO.	CASH BUDGET		PROJECTED STATEMENT OF COMPREHENSIVE INCOME	
	RECEIPT	PAYMENT	INCOME	EXPENSE
4.1.1		26 400 ✓		550 ✓
4.1.2	675 ✓✓	90 000 ✓	675 <input checked="" type="checkbox"/> see receipts	

6

-1 per line, for any additional figures, provided a mark is earned on that line.

4.2 ALICE FURNISHERS (PTY) LTD

4.2.1 DEBTORS' COLLECTION SCHEDULE

	CREDIT SALES	MAY	JUNE	JULY
April	882 000	485 100	194 040	Superfluous entry; Lose method on total
May	891 800	164 983	490 490	196 196 ✓✓
June	921 200		170 422	506 660 ✓✓
July	931 000		If 20% x 92,5% or 186 200	172 235 <input checked="" type="checkbox"/> <input checked="" type="checkbox"/> * If workings are shown
		650 083	854 952	875 091 <input checked="" type="checkbox"/> *

7

* one part correct

Misplaced items: mark the workings, penalise on final answer.

4.2.2 Calculate:

WORKINGS	ANSWER
(i) Cash sales for July 2023 1 330 000 – 931 000 OR 1 330 000 x 30% OR 931 000 x 30/70	399 000 ✓✓ No part marks
(ii) Loan amount in June 2023 5 500 ✓ x 12/1 ✓ x 100/11 ✓ 66 000 two marks; (total interest for the year) OR <u>5 500 one mark x 12</u> one mark 0,11 one mark Be alert to alternative arrangements for calculations.	600 000 <input checked="" type="checkbox"/> one part correct
(iii) Payment to creditors in July 2023 910 000 x 80%	728 000 <input checked="" type="checkbox"/> <input checked="" type="checkbox"/> If x 80%

8

4.2.3

Calculate the % increase that workers will receive in July 2023.

WORKINGS	ANSWER
[182 320 – 172 000] one mark $\frac{10\,320\, \checkmark}{172\,000\, \checkmark} \times 100^*$ OR $\frac{182\,320}{172\,000} \times 100$ 106% two marks - 100% *100 does not constitute 'one part correct' Numerator and denominator must be marked as such / all stand-alone figures.	6,0% <input checked="" type="checkbox"/> one part correct % sign not necessary * inspect workings to award this m.mark.

3

Give TWO reasons why you think that workers would be satisfied with this increase.

Any TWO points ✓ ✓ figures not necessary. Accept short responses; responses based on calculation in 4.2.3

- Current inflation rate is accommodated.
- State of the economy – recession / high unemployment
- Cutbacks by businesses – rising costs
- Cash flow problems of the business – need for a loan
- Reduction in directors fees (4,6%)
- Salary increases generally higher than increase in other expenses on the budget. .

2

4.2.4

Comment on the effectiveness of the advertising. Provide figures or calculations.

Figures from Information F (May) must be quoted

Comment (comparison with sales) ✓ ✓ part marks for partial response i.e. either advertising only or sales only
Comparative figures ✓ ✓ must compare percentages; award one mark if only amounts are quoted.

- Sales is lower than the budget by 15% (191 100 / 1 274 000) but advertising is lower than budget by 3,7% (1 400 / 38 220).
- Advertising is budgeted at 3% of sales (38 220 / 1 274 000), actual amount used is 3,4% of sales (36 820 / 1 082 900).

4

Alice is satisfied with the control over delivery expenses. Provide figures or calculations to justify her feelings.

WORKINGS	ANSWER
Calculation must involve the 5% target $\frac{54\ 100}{1\ 082\ 900} \times 100$ * is not one part correct OR $1\ 082\ 900 \times 5\%$ OR $54\ 145 - 54\ 100$ 63 700 – 54 100 = 9 600 one mark option	4,9 or 5% ✓ ✓ one part correct OR 54 145 two marks OR R45 two marks

2

Identify a different issue (problem) for EACH vehicle that confirms her concern. Provide figures or calculations to justify her feelings.

Vehicle 1 Problem ✓ figure ✓	<ul style="list-style-type: none"> • High maintenance, R9 500 of R16 000 / 59% of the budget. • Used 65,6% of the total delivery expenses incurred / R35 500 of 54 100. • High kilometres covered, 1 260 km of 1 800 km / 70% of workload. • Vehicle 1 is 4 years older than vehicle 2, and is being over-used (1260km)
Vehicle 2 Problem ✓ figure ✓	<ul style="list-style-type: none"> • Under-utilised; covers only 540km / 30% of workload / 720km less than V1. • Used R14 000 of R40 000 for fuel / 35% of budget for fuel / Possible abuse. • Delivery expenses averages R34,44 per km as against R28,17 of vehicle 1 or the budgeted average of R31,85. • Being paid the same salary, R15 000 for being unproductive.

4

Provide TWO suggestions on how Alice can improve the use or efficiency of the vehicles.

Any TWO suggestions ✓ ✓ ✓ ✓ part marks for incomplete / unclear responses

- Keep a log book of trips covered and supervise regularly.
- Set targets for each driver per week, per month / balance the workload per vehicle.
- Plan for regular maintenance / servicing of the vehicles for long-term productivity.
- Pay drivers for work covered, instead of a fixed salary (incentive or motivation).
- Instal tracking (GPS) device to minimise abuse or to prevent personal use.
- Swop use of vehicles – older one for shorter trips, newer one for longer trips.
- Combining loads / consignments going in the same direction / determine tariffs per trip based on distances covered.

4

TOTAL MARKS

40

TOTAL: 150