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Department:
Basic Education
REPUBLIC OF SOUTH AFRICA

NATIONAL SENIOR CERTIFICATE

GRADE 12

ACCOUNTING

NOVEMBER 2019

MARKING GUIDELINES

MARKS: 300

00

MARKING PRINCIPLES:

1. Unless otherwise stated in the marking guidelines, penalties for foreign items are applied only if the candidate is not losing marks elsewhere in the question for that item (no penalty for misplaced item). No double penalty applied.
2. Penalties for placement or poor presentation (e.g. details) are applied only if the candidate is earning marks on the figures for that item.
3. Full marks for correct answer. If answer incorrect, mark the workings provided.
4. If a pre-adjustment figure is shown as a final figure, allocate the part-mark for the working for that figure (not the method mark for the answer). Note: if figures are stipulated in memo for components of workings, these do not carry the method mark for final answer as well.
5. Unless otherwise indicated, the positive or negative effect of any figure must be considered to award the mark. If no + or – sign or bracket is provided, assume that the figure is positive.
6. Where indicated, part-marks may be awarded to differentiate between differing qualities of answers from candidates.
7. This memorandum is not for public distribution, as certain items might imply incorrect treatment. The adjustments made are due to nuances in certain questions.
8. Where penalties are applied, the marks for that section of the question cannot be a final negative.
9. Where method marks are awarded for operation, the marker must inspect the reasonableness of the answer.
10. Operation means 'check operation'. 'One part correct' means operation and one part correct. Note: check operation must be +, -, x, ÷, or per memo.
11. In calculations, do not award marks for workings if numerator & denominator are swapped – this also applies to ratios.
12. In awarding method marks, ensure that candidates do not get full marks for any item that is incorrect at least in part. Indicate with a ☒.
13. Be aware of candidates who provide valid alternatives beyond the marking guideline. Note that one comment could contain different aspects.
14. Codes: f = foreign item; p = placement/presentation.

These marking guidelines consist of 17 pages.

QUESTION 1

1.1	1.1.1	False ✓
	1.1.2	True ✓
	1.1.3	True ✓

3

1.2 DESKS FACTORY

1.2.1	Factory Overhead Cost Note	
	Indirect labour	R 296 500
	Depreciation on factory plant	166 000
	Water and electricity (248 000 + 18 000) x 80% OR – 53 200 198 400 + 14 400	212 800 ✓✓*
	Factory rent (345 600 x 810/1080) or – 86 400	259 200 ✓✓*
	Insurance (12 600 x 75/25) or x 3 OR 50 400 – 12 600	37 800 ✓✓*
	Factory sundry expenses	107 700 ✓
	-1 (Foreign items) Advertising *one part correct	1 080 000 ✓✓*

8

1.2.2	Calculate the total cost of production of finished goods.	
	Workings	Answer
	3 060 000 ✓ 9 000 x 160 two or no marks + 1 440 000 ✓✓ + 1 080 000 ✓ see 1.2.1 OR: units DMC/u DLC/u FOHC/u 9 000 x (340 + 160 + 120) (see 1..2.1 ÷ 9 000) + 500 one mark one mark one mark one method mark	R5 580 000 ✓ one part correct

5

1.2.3	Sihle wants to produce an additional 1 500 desks. Calculate the additional profit he can expect.	
	Workings	Answer
	Extra units x Contribution per unit 750 one mark – 580 one mark [340+160+80] 1 500 ✓ x 170 ✓✓	Correct operation & one part correct ✓ R255 000

4

1.3 CHAIRS FACTORY**1.3.1 Provide a calculation to confirm the break-even point for 2019.**

Workings	Answer
$16\,000 \times 96$ or $1\,536\,000$ two marks $1\,216\,000 \checkmark + 320\,000 \checkmark$ $390 \checkmark - 305 \checkmark$ 85 two marks OR: Sales VC FC $7\,047\,690 - 5\,511\,655 - 1\,536\,000 = 35$ or 0 one mark each	

4

1.3.2 Comment on the break-even point and the production level achieved. Quote figures.

If differences are shown for figures, this carries two marks

Comment on BEP ✓ Figures ✓ Comment on production ✓ Figures ✓

Reponses for four marks:

- Produced 16 000 units but BEP is 18 071 (or see 1.3.1) units so they will make a loss
- Produced 2 071 less than BEP so they will make a loss.
- Production increased from 15 000 to 16 000 units (by 1 000) and BEP increased from 12 400 to 18 071 units (by 5 671).
- In 2018 they made a profit on 2 600 units.

4

1.3.3 Sihle feels that wood raw material was not well controlled. Provide a calculation.

METRES	Actual issue: $22\,000\text{m} \checkmark$ Budget: $16\,000 \checkmark \times 1,2 \checkmark = 19\,200\text{m} \checkmark$ OR: Wastage = $2\,800\text{m}$ four marks Choose one line
OR: UNITS	Expected: $22\,000$ one mark / $1,2$ one mark = $18\,334$ one mark Actual: $16\,000$ one mark OR $2\,334$ fewer chairs made four marks Choose one line
OR: TOTAL COSTS	$22\,000$ one mark $\times 120$ $16\,000$ one mark $\times 1,2$ one mark $\times 120$ one mark Expected: = R2 640 000 Actual = R2 304 000 OR Extra cost = R336 000 four marks Choose one line
OR: UNIT COSTS	Expected: $1,2$ one mark \times R120 one mark = R144 one mark Actual = R165 one mark OR Extra unit cost = R21 per unit extra four marks Choose one line
OR: % PROD	DMC increased by 33% ($R165 - R124; 41 \div 124$) two marks Units produced increased by 7% ($1\,000 \div 15\,000$) two marks

4

Identify TWO possible causes of this problem. Provide a solution for EACH.

	POSSIBLE CAUSES	SOLUTION FOR EACH
✓ ✓ TWO valid & different causes with solutions ✓ ✓	Wastage / unskilled workers	Train workers; supervise regularly Use technology (stencils / templates)
	Damage (fire / water)	Secure storage / check deliveries
	Theft of wood	Internal controls / stock counts / supervision / buy in smaller quantities / install cameras
	Poor quality wood	Source other suppliers / check deliveries

4

1.3.4 Give TWO reasons for the increase in direct labour cost. Provide a solution for EACH.

	REASONS	SOLUTION FOR EACH
✓ ✓ TWO valid & different reasons with solutions ✓ ✓	Load shedding	Generator or solar power
	Workers dissatisfied with increase / Protests	Engagement / communicate with union
	Inflation / wage increase / bonus	Improve productivity
	Overtime	Restrict overtime / more workers (avoid overtime)
	Inefficient / slow workers	Pay per unit produced / improve monitoring procedures / training programme

4

TOTAL MARKS 40

QUESTION 2**2.1.1 State THREE advantages of EFTs.**

✓ ✓ ✓ THREE different & valid advantages	Less fraud
	Convenient or easy to use
	Can be done from business; not restricted to business hours / time-saving
	Payment/receipts are instant / account is updated immediately / no long queues to deal with
	Cheaper bank charges

3

2.1.2 Janet, the bookkeeper, has been assigned the duty of processing and controlling all EFTs.**Explain TWO reasons why the internal auditor was concerned about this.**

Part marks for unclear answer.

✓✓ ✓✓ TWO different & valid reasons	Too many related job functions / No division of duties (no checks and balances) / Possible fraud.
	She may be negligent in performing her duties.
	Lack of supervision can result in abuse / payments not made on time
	If Janet is absent, there may not be any continuity.

4

2.2 Show the changes in the Cash Journals for June 2019.

CASH RECEIPTS JOURNAL		CASH PAYMENTS JOURNAL
27 470	Provisional totals For one mark: R1 125 in CRJ & R1 125 x 2 in CPJ Two marks or 0 7 950 CRJ one mark 5 250 CPJ one mark	32 400
-1 if 1 125 entered here and entered only once in CPJ		1 125 ✓
1 500 ✓✓		
1 400 ✓✓		1 200 ✓
(7 950 – 5 250) 2 700 ✓✓		
		175 ✓
2 800 ✓		
130 ✓		
36 000		34 900
	TOTALS	

11

-1 foreign or superfluous items max -1 e.g. 9 500

2.3 Calculate: Bank Account balance

Workings	Answer
$9\,200 + 36\,000 - 34\,900$ ✓ <input checked="" type="checkbox"/> <input checked="" type="checkbox"/> see 2.2 see 2.2	one part correct 10 300 <input checked="" type="checkbox"/>

4

2.4

BANK RECONCILIATION STATEMENT ON 30 JUNE 2019		
	DEBIT	CREDIT
Cr Balance per bank statement	Balancing figure Could be Dr or Cr	12 550 ✓
Cr Outstanding deposit		9 675 ✓
Cr Incorrect entry		1 125 ✓
Dr Outstanding cheques / EFTs		
444	4 670 ✓✓	
522	4 580 ✓	
EFT 14	3 800 ✓	
Dr Balance per bank account	see 2.3 10 300 ✓	Do not accept 9 200
	23 350	23 350

8

If DEBIT/CREDIT columns not indicated, assume first column Debit
 Brackets not acceptable for two column method
 -1 Foreign items (if marks scored elsewhere for the amount) -1 max
 -1 max Presentation (if no / incorrect details)

OR:

VERTICAL METHODS (choose one):

Balance per bank statement	12 550	Balance per bank account	10 300
Outstanding deposit	9 675	Outstanding deposit	(9 675)
Incorrect entry	1 125	Incorrect entry	(1 125)
Outstanding cheques/EFTs		Outstanding cheques/EFTs	
444	(4 670)	444	4 670
522	(4 580)	522	4 580
EFT 14	(3 800)	EFT 14	3 800
Balance per bank account	10 300	Balance per bank statement	12 550

TOTAL MARKS**30**

QUESTION 3**CABINETS****3.1****Calculate the value of closing stock using FIFO.**

Workings	Answer
<p style="text-align: center;">If 280 – units in first part</p> $(230 \checkmark \times 1\,100 \checkmark) + (50 \checkmark \times 990 \checkmark)$ <p style="text-align: center;">253 000 49 500</p>	<p style="text-align: center;">one part correct</p> <p style="text-align: center;">R302 500 <input checked="" type="checkbox"/></p>

6**3.2.1****Calculate the % mark-up achieved in 2019.**

Workings	Answer
$\frac{3\,480\,000 - 2\,170\,500}{2\,170\,500} \checkmark \checkmark \times 100$	<p style="text-align: center;">one part correct</p> <p style="text-align: center;">60,3% <input checked="" type="checkbox"/></p>

4**3.2.2****Provide TWO points (with figures) to prove that this decision achieved its aims.**

<p>✓ ✓ TWO different & valid points</p>	<p>Sales increased to R3 480 000 (from R3 375 000) / by R105 000 / by 3,1%</p>
<p>✓ ✓ Figures</p>	<p>Number of customers increased to 37 (from 26) / by 11 / by 42%</p>

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**

<p>✓ ✓ TWO different & valid points</p>	<p>Gross profit decreased to R1 309 500 (from R1 425 000) / by R115 500 / by 8,1% / Cost of sales increased to R2 170 500 (from 1 950 000) / by R220 500 / by 11,30%</p>
<p>✓ ✓ Figures</p>	<p>Average units per customer dropped to 63 (from 96) (2 500/26) (2 320/37) / by 33 / by 34%</p>
	<p>Units sold dropped by from 2 500 to 2 320 / by 180 / by 7,2%</p>

4**Give the directors advice to solve this problem. Explain TWO points.**

<p>✓ ✓ TWO different & valid points</p>	<p>Restrict (be selective with) trade discounts to good customers only</p>
	<p>Find a cheaper supplier (to compensate for keeping selling prices low)</p>
	<p>Increase marketing / advertising in areas outside the current areas targeted</p>
	<p>Provide other incentives such as after-sales services, maintenance or free deliveries</p>

2

LAMPS**3.3****Calculate the stockholding period for lamps (use closing stock).**

Workings		Answer
OR		one part correct one method mark
$\frac{59\ 625}{930\ 375} \checkmark \times \frac{365}{1}$	$\frac{265}{3\ 675} \text{ one mark} \times \frac{365}{1}$	23,4 days <input checked="" type="checkbox"/> OR 0,8 months
		OR 26,3 days OR 0,9 months

3**3.4****Calculate the number of missing lamps.**

Workings				Answer
Op.stock	Purchases	Clos.stock	Sales	
600	+	3 800	-	3 675
✓		✓		✓
				one part correct
				460 ✓

5**Give TWO suggestions to solve this problem.**

<div>✓✓ ✓✓</div> <div>TWO valid & different suggestions</div> <div>part-marks for partial or incomplete answers</div>	Divide duties / delegate to different employees
	Threaten strong disciplinary action (in future) / recover cost from culprit
	Increase supervision at regular intervals / random physical inspection of stock
	Change to the perpetual inventory system to record stock
	CCTV as an internal control measure
	Insist on proper documents for all stock supplied

4**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
LYN:	$7\ 800\ 000 \checkmark - 2\ 580\ 000 \checkmark \checkmark = R5\ 220\ 000$ (4 800 000 + 3 000 000) (430 x 6 000) three marks	one part correct R11 772 000 <input checked="" type="checkbox"/>
	OR 870 two marks x R6 000 one mark (1 300 – 430)	
	$10\ 440\ 000 \checkmark - 3\ 888\ 000 \checkmark \checkmark = R6\ 552\ 000$ (6 840 000 + 3 600 000) (540 x 7 200) three marks (1 450 x R7 200)	
KYA:	OR 910 two marks x R7 200 one mark (1 450 – 540)	

7**3.6****Explain THREE different concerns George would have about this problem.**

<div>THREE different & valid concerns</div> <div>✓✓ ✓✓ ✓✓</div> <div>part-marks for partial or incomplete answers</div>	Directors engaging in fraud and corruption / bribes / conflict of interests
	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 is tied up in stock / Obsolete / Affects liquidity
	Shareholders may want to sell their shares
	It will negatively affect the audit report
	Business will lose goodwill as it is unethical

6**TOTAL MARKS****45**

KEEP THIS PAGE BLANK.

QUESTION 4**4.1**

4.1.1	C ✓
4.1.2	E ✓
4.1.3	D ✓
4.1.4	A ✓
4.1.5	B ✓

5

4.2 VISIV LTD**4.2.1 Calculate:**

(i) Depreciation for the current year							
Workings	Answer						
225 000 ✓ x 25% x 8/12 ✓	one part correct R37 500 ✓						
(ii) Carrying value of vehicle sold							
Workings	Answer						
✓ ✓ 225 000 – 37 500 see (i) above <small>100 000 + 75 000 + 37 500</small> OR: 400 000 – 212 500	Two marks R187 500 If wrong, mark workings Cannot get full marks if superfluous workings						
Calculate: Profit/Loss on sale of asset							
Workings	Answer						
✓ ✓ 195 000 – 187 500 see (ii) above	Two marks R7 500 If wrong, mark workings Cannot get full marks if superfluous workings						
Calculate: Fixed assets carrying value on 28 February 2019							
Workings	Answer						
✓ ✓ see (i) above ✓ see (ii) above 10 190 000 – 37 500 – 187 500 225 000 two method marks OR: 10 190 000 – (400 000 – 212 500 + 37 500) one mark one method mark one method mark Also accept ledger account format <table border="1"> <tr> <td>10 190 000</td><td>37 500</td></tr> <tr> <td></td><td>187 500</td></tr> <tr> <td></td><td>9 965 000</td></tr> </table>	10 190 000	37 500		187 500		9 965 000	one part correct R9 965 000 ✓
10 190 000	37 500						
	187 500						
	9 965 000						

5

2

4

4.2.2 Calculate the correct net profit after tax for the year ended 28 February 2019. Indicate (+) for increase and (–) for decrease.

Workings	Answer
Incorrect net profit before tax	822 700
Provision for bad debts adjustment	(65 000) ✓
Advertising	9 800 ✓
Rent income $[(334\ 000 - 9\ 000) / 13] + 3\ 000$	(28 000) ✓✓*
Additional depreciation see 4.2.1 (i)	(37 500) ✓
Profit on sale of asset see 4.2.1	7 500 ✓
Income tax (155 000 + 43 000)	(198 000) ✓✓*
Correct net profit after tax	511 500 ✓✓* *One part correct

9

4.2.3 RETAINED INCOME NOTE:

Balance at beginning	865 300
Net profit after tax see 4.2.2	511 500 ✓
Shares repurchased $360\ 000 \times R0,30$ 4,10 – 3,80 ignore brackets	(108 000) ✓
Ordinary share dividends ignore brackets	(783 200) ✓✓*
Interim	295 200 ✓
Final $2\ 440\ 000 \times R0,20$	488 000 ✓✓*
Balance at end Check operation; shares repurchased and share dividends must be subtracted	485 600 ✓✓*

9

*one part correct

4.2.4

VISIV LTD STATEMENT OF FINANCIAL POSITION (BALANCE SHEET) ON 28 FEBRUARY 2019		
ASSETS		
Non-current assets	(TA – CA)	10 624 000✓
Fixed assets	see 4.2.1	9 965 000✓
Fixed deposit	Balancing figure 3	659 000✓
Current assets	CL x 0,8 accuracy marks	2 320 000✓✓
Inventories		1 102 000
Trade and other receivables # (1 090 000✓ – 65 000✓ + 9 800✓ + 7 600✓) Advertising		1 042 400✓*
Cash and cash equivalents	Balancing figure	175 600✓
TOTAL ASSETS	see total equity and liabilities 9	12 944 000✓
EQUITY AND LIABILITIES		
Ordinary shareholders' equity	Operation	8 637 600✓
Ordinary share capital		8 152 000
Retained income	See 4.2.3 2	485 600✓
Non-current liabilities		1 406 400
Mortgage loan (1 758 000 ✓ – 351 600 ✓) See CL below	3	1 406 400✓*
Current liabilities		2 900 000
Trade and other payables (1 906 800 ✓ + 28 000✓ + 7 600 ✓ + 75 000✓) Rent income see 4.2.2		2 017 400✓*
SARS: Income tax may be part of T&OP		43 000✓✓
Shareholders for dividends may be part of T&OP	see 4.2.3	488 000✓
Current portion of loan	Balancing figure 10	351 600✓
TOTAL EQUITY AND LIABILITIES		12 944 000✓*

27

* One part correct

-1 for presentation in each case (i.e. max -2)
Foreign items –1 max –1

4.3 AUDIT REPORT**4.3.1 What type of audit report did the company receive?**

Disclaimer ✓ Accept 'withheld' or a valid description.

1

4.3.2 Give TWO examples of audit evidence that the auditors would require.

✓ ✓

TWO valid &
different examplesBe aware of other valid
examples that are
related to income or
expenses

asset registers

journals

debtors' statements

physical inspections

contracts (signed)

source documents e.g. invoice

ledgers

creditors' statements

bank statements

EFT voucher (proof of payment)

2

4.3.3 Apart from the current ratio, identify and calculate ONE other financial indicator that the auditors would have used in deciding on this opinion.

Acid test ratio ✓

2 320 000 – 1102 000 / or T&OR + C&CE

see 4.2.4

1 218 000 ☒ : 2 900 000 ✓ = 0,4 : 1 ☒ one part correct; must be x:1

4

Explain what the directors could have done to prevent this comment by the auditors. Provide TWO points.✓ ✓
TWO valid &
different
explanations

Cash in the investments

Postpone repurchase of shares (to another time when
liquidity improves)Ensure that the auditors and directors comply with the latest
Companies Act

Try to convince auditors that solvency ratio is good

Issue more shares to the public or existing shareholders

Offer rights issue to shareholders rather (than pay more
dividends)Company offers higher dividends to shareholders rather
than repurchasing of shares

Reduce the dividends paid to improve liquidity

Re-negotiate loan repayments / credit terms

Promote more cash sales / off-load stock

2

TOTAL MARKS

70

QUESTION 5**5.1**

5.1.1	B ✓
5.1.2	A ✓
5.1.3	C or A ✓
5.1.4	B ✓

4

5.2**SUNSET LTD****5.2.1**

Calculate: Income tax paid	
Workings	Answer
$ \begin{array}{r} 477\,900 - 63\,000 - 18\,000 \\ \checkmark \quad \quad \checkmark \quad \quad \checkmark \\ - 477\,900 + 63\,000 + 18\,000 \text{ mark one line / accept brackets} \\ \text{one mark} \quad \text{one mark} \quad \text{one mark} \end{array} $	<input checked="" type="checkbox"/> one part correct R396 900
Calculate: Dividends paid	
Workings	Answer
$ \begin{array}{r} 195\,000 + 420\,000 \quad 1200\,000 \times 0,35 \\ \checkmark \quad \quad \checkmark \quad \checkmark \\ \text{OR: } 195\,000 + 792\,000 - 372\,000 \\ - 195\,000 - 792\,000 + 372\,000 \text{ mark one line / accept brackets} \\ \text{one mark} \quad \text{one mark} \quad \text{one mark} \end{array} $	<input checked="" type="checkbox"/> one part correct R615 000
Calculate: Proceeds of shares issued	
Workings	Answer
$ \begin{array}{r} 300\,000 \text{ one mark} \times R6,20 \text{ two marks} \\ 9\,300\,000 - 1\,860\,000 - 7\,724\,000 \\ \checkmark \quad \quad \checkmark \checkmark \checkmark \quad \quad \checkmark \\ \begin{array}{ r r } \hline 1\,860\,000 & 9\,300\,000 \\ \hline 7\,724\,000 & 284\,000 \\ \hline \end{array} \end{array} $	<input checked="" type="checkbox"/> one part correct R284 000
Calculate: Fixed assets purchased	
Workings	Answer
$ \begin{array}{r} 10\,658\,000 - 490\,000 - 408\,000 - 11\,835\,100 \\ \checkmark \quad \quad \checkmark \quad \quad \checkmark \quad \quad \checkmark \text{ Choose one line only} \\ \text{OR } 11\,835\,100 + 490\,000 + 408\,000 - 10\,658\,000 \\ \begin{array}{ r r } \hline 10\,658\,000 & 408\,000 \\ \hline 2\,075\,100 & 490\,000 \\ \hline & 11\,835\,100 \\ \hline \end{array} \end{array} $	one part correct R2 075 100 <input checked="" type="checkbox"/>

6

5

5.2.2**Calculate financial indicators for the year ended 28 February 2019:**

% operating profit on sales	
Workings	Answer
$ \frac{2\,033\,900}{8\,725\,000} \times 100 \text{ check operation; one part correct} $	23,3% ✓ <input checked="" type="checkbox"/> Accept 23%
Net asset value per share	
Workings	Answer
$ \frac{8\,625\,000}{1\,240\,000} \times 100 \text{ check operation; one part correct} $	695,6 cents ✓ <input checked="" type="checkbox"/> Accept 696 cents or R6,96
Debt-equity ratio	
Workings	Answer
$ 3\,500\,000 : 8\,625\,000 \text{ check operation; one part correct must be x: 1} $	0,4 : 1 ✓ <input checked="" type="checkbox"/>

4

5.3 HORIZON LTD and OPTIMA LTD**5.3.1 Explain why directors should be interested in the price of their companies' shares on the JSE.**

Any ONE valid comment ✓✓ one mark for partial or incomplete answer

Responses for 2 marks:

- It shows public confidence in the company.
- It can be compared to other companies / an external indicator.
- Shareholders will want to have capital growth on their investment.
- Directors will be judged on the performance of the shares as this reflects the performance of the company.

2

Calculate the number of additional shares in Horizon Ltd that Mike was able to buy on the JSE in 2019.

Workings	Answer
<div style="text-align: center;">✓ ✓</div> $R420\,000 \div R8,40$	<input checked="" type="checkbox"/> one part correct 50 000 shares

3

Comment on the price that Mike paid for these shares and provide TWO reasons why he might have been satisfied to pay this price.

Compare price paid to NAV ✓ Figures ✓ Reasons ✓✓ ✓✓

HORIZON Ltd: JSE Price exceeds NAV by 90 cents (R8,40 – R7,50)

Valid reasons for HORIZON:

- He wants to be the majority shareholder
- More influence over decisions by board of directors
- JSE price reflects public demand for the shares
- Potential for high returns in future

6

5.3.2 Explain your opinion on which company has the better dividend pay-out policy. Quote figures.

Choice of company: Either Horizon Ltd OR Optima Ltd ✓

Reason: Either retaining funds OR rewarding shareholders ✓

Figures: Horizon Ltd pays out 67% (65c of 97c earned) ✓✓ quote two figures or %

While Optima Ltd pays out 96% (80c of 83c earned) ✓✓ quote two figures or %

Be aware of alternative ways of explanation and calculation e.g. amount or % retained

6

Compare and comment on the % return on equity earned by EACH company. Quote figures.

Horizon Ltd earns 6,2% ✓ Award two marks for the difference 12%

Optima earns 18,2% ✓

Comparison (may be implied) ✓

Compare to interest rate (6,5%) ✓

4

Mike feels that the earnings per share (EPS) of Optima Ltd is much better than that of Horizon Ltd. Explain why he feels this way. Quote figures or calculations.

Quote EPS of Horizon Ltd 97 cents ✓

Quote EPS of Optima Ltd 83 cents ✓

Compare EPS of both companies to:

Share value **OR** to number of shares owned **OR** % ROSHE **OR** Net Profit ✓

Identify figures for any one comparison below ✓✓

	Horizon Ltd	Optima Ltd
•	Cost of shares is high 750c or 840c (Earnings yield is 12,9% or 11,5%)	Cost of shares is low 445c or 400c (Earnings yield is 18,7% or 20,8%)
•	EPS is earned on 580 000 shares	EPS is earned on 1 430 000 shares
•	% ROSHE is 6,2%	% ROSHE is 18,2%
•	NP after tax is R1 202 800 (97c x 1 240 000 shares)	NP after tax is R2 158 000 (83c x 2 600 000 shares)

5

5.3.3

Explain TWO decisions taken by the directors of Horizon Ltd in response to the state of the economy, and how these decisions will affect the company in future.

Decisions: TWO valid decisions ✓ ✓ Figures ✓ ✓

- Sold fixed assets R1 800 000 / No new fixed assets bought (R0)
- Investments reduced R900 000
- Loan repaid R1 600 000

Effect on Horizon Ltd in future:

Any one valid comment: ✓✓ one mark for partial or incomplete answer

- The infrastructure / size of the company is decreasing which will affect future profit
- The reduced infrastructure / size of the company could lead to cost savings (or increased profit)

Response for 1 mark:

- Saving on interest / less risk

6

Explain TWO decisions taken by the directors of Optima Ltd that affect risk and gearing. Quote and comment on TWO financial indicators.

Decisions: Two valid decisions ✓ ✓ Figures ✓ ✓

- Loan increased R3 800 000
- Shares issued R200 000

Quote and comment on TWO financial indicators that affect risk and gearing.

Quote indicators with figures: Debt-equity ratio: 0,7 : 1; ROTCE 15,1%;

Comments on: increased risk / positive gearing (ROTCE exceeds interest rate)

8

TOTAL MARKS

75

QUESTION 6

6.1 Foreign entries
-1 max -2

	CASH BUDGET				PROJECTED INCOME STATEMENT		
	Nov. 2019	Dec. 2019	Jan. 2020		Nov. 2019	Dec. 2019	Jan. 2020
Printer bought	40 800 ✓						
Depreciation						680 ✓	680 ✓
Insurance			48 000 ✓				4 000 ✓ ✓
Loan received		100 000 ✓					
Loan repayments			*5 000 ✓				
Interest			*1 000 ✓ ✓				1 000 ✓

11

6.2

Calculate the % of debtors who settle their accounts in the 2nd month following the credit sales transaction month

Workings	Answer
$\frac{67\,500}{90\,000} \checkmark \text{ or } \frac{75\,000}{100\,000} \text{ or } \frac{90\,000}{120\,000} \times \frac{100}{1}$	One part correct 75% ✓

3

Calculate the % of debtors written off as bad debts at the end of the 3rd month following the credit sales transaction month.

Workings	Answer
$90\,000 - 67\,500 - 19\,800$ $(2\,700 \checkmark \checkmark \div 90\,000 \checkmark) \times 100$ OR: $100\,000 - 75\,000 - 22\,000$ $(3\,000 \div 100\,000) \times 100$ <div style="display: flex; justify-content: space-around; font-size: small;"> two marks one mark </div> $\text{see above } 19\,800/90\,000 \text{ or } 22\,000/100\,000$ OR: $100\% - 75\% - 22\%$ <div style="display: flex; justify-content: space-around; font-size: small;"> one mark one m.mark one mark </div> $-97\% \text{ two marks}$	One part correct 3% ✓

4

6.3.1

The office workers are unhappy with the increase that Thembi gave them on 1 October 2019. Explain what she should say to them. Provide TWO points. Quote figures or a calculation.

Only one figure required per point.

part-marks for partial or incomplete answers ✓ ✓ ✓ ✓ Any two valid and different points ✓ ✓ Figures/Calculations	They received a (large) increase of 20% (unbudgeted; which is more than inflation) ($1\,840 / 9\,200 = 20\%$) 'Large' need not be mentioned if 20% is provided.
	Sales target (under by R110 000) / GP target (under by R32 000) not reached but increase in wages (20%) granted
	The director took a R10 000 drop in pay / reduced from R50 000 to R40 000 / by 20%
	They received training costing R40 000 (R25 000 over budget) which will benefit them in future

6

6.3.2

Thembi pays her son, Jacob, on a part-time basis to deliver and install carpets for customers. She budgets R2,80 per metre for this. Comment on the control of this expense. Quote figures or a calculation.

Comment on poor control / ethics in September ✓ Figure/s ✓
 Comment on good control in October ✓ Figure/s ✓

Expected responses for September:

He was overpaid in September (even though he did not meet target)

Figures: R14 000 / R10 640 / R3 360

Expected responses for October:

He was paid correctly (although it was over-budget; due to improved sales)

Figures: R 16 800 / R14 000 / R2 800

Workings: September:

Budget: 5 000 x 2,80 = R14 000

Actual should be 3 800 x 2,80 = R10 640 but spent R14 000

Workings: October:

Budget = R14 000

Actual should be : 6 000 x 2,80 = R16 800

4

6.3.3

A new competitor commenced trading in the area on 1 September 2019. Provide figures to illustrate the impact on sales in September.

Comment ✓ Figure/s ✓

Compare budgeted Sales to actual Sales

Sales budget was R490 000 and the actual was R380 000 / R110 000 under the budgeted amount / 22,4% drop from expected

OR: Compare expected metres to actual metres Two marks

Sales dropped from 5 000m² budgeted to 3 800m² actual / 1 200m² under budget / 24% less than expected.

2

Explain THREE decisions that Thembi took in October in response to the new competitor. Quote figures or a calculation.

Explanation (with figures)

✓ ✓ ✓

Any THREE valid and different decisions

Promoted credit sales R296 000 above budget (R326 000 increase in actual) with incentives as opposed to cash sales (e.g. discount or extended payment period)

Reduced the selling price per m to R88 per m (from R100) /
 Reduced mark up from 67% to 47%

✓ ✓ ✓

Figures

Spent R40 000 on training but budgeted only R15 000 / Training increased to R40 000 in October (over-budget by R25 000)

Changed the salary structure of the salesman from a fixed salary of R20 000 pm to a commission of R52 800/10% of sales

6

6.3.4

Calculate the amount she will actually have to pay the creditors in November 2019.

Workings

Answer

528 000 X 60/88

✓ ✓ ✓

360 000 x 50% x 95%

Oct COS

R171 000 ✓

one part correct

4

TOTAL MARKS

40