## NATIONAL SENIOR CERTIFICATE

## GRADE 12

## JUNE 2023

## ACCOUNTING P2
## MARKING GUIDELINE

**MARKS: 150**

**MARKING PRINCIPLES:**

1. Penalties for foreign items are applied only if the candidate is not losing marks elsewhere in the question for that item (no foreign item penalty for misplaced items). 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 the 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).
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. In calculations, do not award marks for workings if numerator and denominator are swapped – this also applies to ratios.
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 before awarding the mark.
10. Operation means 'Check operation'. 'One part correct' means 'Operation and one part correct'.
11. In awarding method marks, ensure that candidates do not get full marks for any item that is incorrect at least in part. In such cases, do not award the method mark. Indicate by way of ☒.
12. Be aware that some candidates provide valid alternatives beyond the marking guideline.
13. Codes: f = foreign item; p = placement/presentation.

This marking guideline consists of 10 pages.

## QUESTION 1

### 1.1 CONCEPTS

| 1.1.1 | D | ✓ |
|-------|---|---|
| 1.1.2 | A | ✓ |
| 1.1.3 | E | ✓ |
| 1.1.4 | C | ✓ |

**4**

### 1.2 BANK RECONCILIATION

#### 1.2.1 Calculate the correct cash journal totals for April 2023.

| CRJ | | CPJ |
|-----|---|-----|
| **91 230** | | **101 050** |
| 200 ✓ | | 5 000 ✓✓ |
| 7 500 ✓ | | 1 425 ✓☑ |
| 5 400 ✓✓ | | 2 100 ✓ |
| 104 330 | ☑ for both totals | 109 575 |

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#### 1.2.1 Calculate the Bank balance on 30 April 2023.

18 795 ✓ + 104 330 ☑ − 109 575 ☑ = 13 550 ☑

**4**

#### 1.2.2 Bank reconciliation statement on 30 April 2023.

| Dr balance according to Bank statement | 15 700 ☑ <br> Balancing figure | |
|---|---|---|
| Credit late deposit | | 21 500    ✓ |
| Debit outstanding EFT no. 440 | 2 250   ✓ | |
| Credit stop order error | | 10 000   ✓✓ |
| Dr balance according to Bank account | 13 550   ✓ | |
| | 31 500   ☑ | 31 500 |

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### 1.3 CREDITORS' RECONCILIATION

**1.3.1**

| **Explain why the balance in the Creditors' Control account in the General ledger should correspond with the total of Creditors' List extracted from the Creditors ledger. Provide ONE point.** |
|---|

Any ONE ✓✓
- The same information/documents are used to prepare both the Creditors' Control account and the Creditors ledger.
- Posting is done from the same set of journals.
- It is an internal control measure to check for correctness of posting.
- The Creditors' Control account is a summary of all the Creditors ledger accounts.

**2**

**1.3.2**

| | **Creditors control** | **Creditors list** |
|---|---|---|
| **Preliminary balance/total** | **R111 340** | **R78 480** |
| (i) | | + 960 ✓ |
| (ii) | - 32 800 ✓✓ (one<br>(-16 400 – 16 400) mark each) | |
| (iii) | + 3 920 ✓ | + 3 920 ✓ |
| (vi) | | - 900 ✓✓<br>(- 1 000 +100) (two or 0) |
| **Correct balance/total** | 82 460 ☑ * | 82 460 |

**8**

\* for both totals Opening balance/total have to be included

| QUESTION 1:<br>TOTAL MARKS | **35** | |
|---|---|---|

**QUESTION 2**

**2.1    CONCEPTS**

| 2.1.1 | True | ✓ |
|-------|------|---|
| 2.1.2 | False | ✓ |
| 2.1.3 | False | ✓ |
| 2.1.4 | True | ✓ |

**4**

**2.2.1    Calculate the direct labour cost.**

| | | |
|---|---|---|
| Basic salary (14 x 10 500) ✓ x 12 ✓ | 1 764 000 | ☑ |
| Overtime 3 100 ✓ x 80 ✓ | 248 000 | ☑ |
| UIF  1 764 000 x 1% | 17 640 | ☑ |
| | 2 029 640 | ☑ |
| | | |

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**2.2.2    Calculate the factory overhead cost.**

| | | |
|---|---|---|
| Indirect material (19 800 ✓ + 57 600 ✓ – 22 650 ✓) | 54 750 | ☑ |
| Salaries factory foreman | 234 000 | ✓ |
| Rent expense (172 800 x 900/2 250) | 69 120 | ✓✓ |
| Water and electricity (156 000 x 90%) | 140 400 | ✓✓ |
| Insurance (107 100 + 4 200) ✓✓x 3/7 ✓ | 47 700 | ☑ |
| Depreciation | 415 830 | ✓ |
| | | |
| | 961 800 | ☑ |

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**2.2.3** **Production Cost Statement for the year ended 28 February 2023.**

| | | |
|---|---|---|
| **Direct material cost** | **3 150 000** | |
| Direct labour cost | 2 029 640 | ☑ |
| **Prime cost** DLC + DMC | 5 179 640 | ☑ |
| Factory overhead cost | 961 800 | ☑ |
| **Total manufacturing cost** | 6 141 440 | ☑* |
| **Work-in-progress (1 March 2022)** | **240 560** | |
| | 6 382 000 | ☑ |
| Work-in-progress (28 February 2023) | (382 000) | ☑* |
| **Cost of production of finished goods** (6 022 500 + 142 500 – 165 000) | 6 000 000 ✓☑* One part correct | |

**8**

*Check operation;   -1 foreign items, max. 2

### 2.3    UNIT COST AND BREAK-EVEN

**2.3.1**

| | |
|---|---|
| **Calculate the break-even point for the year ended 31 May 2023.**<br><br>$\dfrac{1\ 104\ 000\ \checkmark}{28\ \checkmark - 16\ \checkmark}$<br>    12 two marks<br><br>92 000   units ☑ One part correct | **4** |

**2.3.2**

| | |
|---|---|
| **Comment on whether Linda should be satisfied with the number of units produced and sold during the financial year. Quote figures.**<br><br>Any TWO comparisons ✓✓   ✓✓ (with figures) ✓✓<br><br>• In 2022 profit was made on 27 000 units and in 2023 profit were made on only 4 000. (four marks) / In 2022 the break-even was 90 000 and 117 000 were produced and sold / The business sold 27 000 units above break-even or made profit on 27 000 units.<br><br>• In 2023 the break-even was 92 000 units (See 2.3.1) and 96 000 units were produced and sold / This means the business made a profit on only 4 000 units in 2023. | **6** |

**2.3.3**

| | |
|---|---|
| **Give TWO possible reasons for the increase in direct material cost per unit for the current financial year.**<br><br>Any TWO ✓✓   ✓✓<br><br>Price of material increased<br>Better quality raw material was used<br>Increase in transport cost/ fuel prices<br>Increase in wastage/ untrained workers<br>New suppliers charge higher prices | **4** |

**2.3.4**

| | |
|---|---|
| **Provide ONE reason why Linda may be concerned about the increase in the total fixed costs during the current financial year.**<br><br>Any ONE point ✓✓<br><br>This cost should be fairly constant /<br>It is not influenced by the level of production (in fact production dropped)<br>The increase should be in line with inflation (about 5%) | **2** |

**2.3.5**

| | |
|---|---|
| **Linda considers reducing the content per packet keeping the selling price the same. Give TWO points of advice.**<br><br>Any TWO ✓✓   ✓✓<br><br>It is unethical/fraud<br>Could lead to legal action against the business<br>Negative image of business if customers discover this<br>Product might be removed from shelves | **4** |

| QUESTION 2: TOTAL MARKS | **55** | |
|---|---|---|

## QUESTION 3

### 3.1 CONCEPTS

| 3.1.1 | Perpetual system | ✓ |
|-------|------------------|---|
| 3.1.2 | FIFO | ✓ |
| 3.1.3 | Weighted average method | ✓ |

**3**

### 3.2 INVENTORY VALUATION

**3.2.1** | **Calculate the value of closing stock on 30 June 2023.**

$$\frac{416\ 290\ ✓\ +\ 2\ 913\ 000\ ✓\ -\ \overbrace{(5\ 640\ ✓\ +\ 3\ 150)}^{(5\ \times\ 630)}\ ✓✓}{820\ ✓\ +\ 4\ 920\ ✓\ -\ 15\ ✓} \times 1\ 160$$

5 marks
$$\frac{3\ 320\ 500}{5\ 725} \times 1\ 160 \quad \text{3 marks}$$

8 marks
580 x 1 160

= R672 800 ☑
Must be x 1 160

**9**

**3.2.2** | **Calculate the average stock holding period (in days) for jackets.**

$$\frac{½\ (416\ 290\ ✓\ +\ 672\ 800\ ☑)}{(3\ 320\ 500\ ☑\ -\ 672\ 800\ ☑)} \quad \text{(see 3.2.1)} \quad \times\ 365$$

$$=\ \frac{544\ 545}{2\ 647\ 700} \times 365 \qquad \text{Units:}\ \frac{½\ (820\ +\ 1\ 160)}{4\ 350} \times 365$$

= 75,1 days ☑ 83,1 days

**5**

**3.2.3** | **Calculate the number of units missing.**

(820 + 4 920 – 15) ✓ – 4 350 ✓ – 1 160 ✓ = 215 ☑

**4**

**Give TWO points of advice on how Neville can address this problem.**

Any TWO valid points ✓✓ ✓✓

Security tags on jackets
Restrict access to store room
Regular stock count and check against records
Install CCTV
Order smaller quantities at a time / keep less jackets in stock

**4**

**3.2.4**

**Explain the effect of a change to the FIFO method on the gross profit on jackets.**

Gross profit will increase. ✓✓

| 2 |

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**Give ONE reason FOR changing the stock valuation method.**

Any ONE valid point ✓✓

FIFO reflect stock at more realistic prices /
Stock is valued at current prices.

| 2 |

---

**Give ONE reason AGAINST changing the stock valuation method.**

Any ONE valid point ✓✓

It is unethical to manipulate records.
Over time the difference will be cancelled.
Increased gross profit will lead to higher tax.
It will be impossible to compare results to previous years.

| 2 |

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**3.2.5**

**Explain why sponsoring jackets for a school is a good idea. Give TWO reasons.**

Any TWO valid points ✓✓    ✓✓

It forms part of corporate social responsibility.
It creates goodwill for the company.
Good for the image of the company / good publicity.
It is tax deductible.

| 4 |

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| QUESTION 3: TOTAL MARKS | **35** | |

       

## QUESTION 4

### 4.1 FIXED ASSETS

**4.1.1**

| **Calculate the depreciation on equipment for the year ended 28 February 2023.** |
|---|
| Old Equipment: 480 000 x 20% = 96 000 →    39 999 ✓✓ (carry value of R1)<br>New Equipment: 120 000 x 20% x 10/12 ✓= <u>20 000</u> ☑<br>                                       59 999 ☑ One part correct<br><br>[(600 000 – 120 000) – 440 000] – 1 = 39 999 |
| **Calculate the depreciation on vehicles for the year ended 28 February 2023.** |
| Sold V: (164 250 – 56 250) ✓ x 20% x 5/12 ✓         = 9 000 ☑<br>             279 900 one mark       105 750 one mark<br>Old V: (444 150 –164 250) ✓ – (162 000  – 56 250) ✓x 20% = 34 830 ☑<br>New V: 315 000 x 20% x 6/12 ✓                = <u>31 500</u><br>☑<br>                                        75 330 ☑<br>                                  One part correct |

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**4.1.2**

| **Provide ONE reason why a company might decide to dispose of fixed assets.** |
|---|
| Any ONE valid point  ✓✓<br><br>Assets too old<br>Upkeep/maintenance too expensive<br>Not effective for specific use anymore<br>Better model available<br>Better technology |

**2**

### 4.2 MANAGING FIXED ASSETS

| | **PROBLEM (WITH FIGURES)**<br>ONE mark problem ✓ ✓ ✓<br>ONE mark figure ✓ ✓ ✓ | **ADVICE**<br>ONE mark advice ✓ ✓ ✓ |
|---|---|---|
| **VEHICLE 1** | Under-used<br>Only 360 km covered / only 24 trips<br>Gets paid too much. R11 000 for little work done. | Assign more trips to this vehicle / ensure that a log is kept / set targets per driver. Give this vehicle to another driver (switch with driver no 3) |
| **VEHICLE 2** | Highest paid driver, R13 750, not justified by doing more work / under-utilised 780 km of possible 1 200 km / does many short trips | Provide driver with workload schedule / introduce commission on work done |
| **VEHICLE 3** | Old vehicle / fully depreciated R1 carrying value / high maintenance R285 per month / high fuel cost R2 150 | Replace this vehicle / look at possible trade-in or disposal / use vehicle for very short trips / switch with driver no. 1 |

**9**

| **QUESTION 4:**<br>**TOTAL MARKS** | **25** | |
|---|---|---|

**TOTAL:**    **150**