



JENN

Training and Consultancy
The path to enlightened education

SUBJECT: ACCOUNTING

GRADE 12

2024 SPRING AND LAST PUSH CLASSES

MEMORANDUM













Spring Topics

- 1. Budgets**
- 2. Value Added Tax (VAT)**

Revision Topics

- 3. Statement of Comprehensive income**
- 4. Statement of Financial Position**
- 5. Interpretation and analysis of financial statements**

- 6. Corporate Governance**
- 7. Reconciliations**
- 8. Inventories**
- 9. Fixed assets**
- 10. Cost Accounting**

SPRING CLASSES		
TOPICS	DURATION	
 Budgets	(6 hours)	3-16
 Value Added Tax (VAT)	(2 hours)	17-19
 Budgets: Assessment	(2 hours)	
LAST PUSH ACTIVITIES		
 Abridged Income Statement (Correction of net profit)		20-23
 Statement of Financial Position		24-28
 Cash Flow Statement		29-37
 Interpretation and analysis of financial statements		38-46
 Corporate Governance		47-53
 Reconciliations		54-69
 Inventories		70-81
 Fixed Assets		82-87
 Cost Accounting		88-93

CASH BUDGET

Activity 1 Marking Guideline

1.1

Thando is not concerned about the overspending in advertisement. Explain why this is so. Quote figures.

Candidate must indicate the positive effect of advertising on sales✓✓

Provide appropriate figures✓

3

Expected response for 3 marks:

Advertising increased by R4 500 but Sales increased by R24 500.

OR

Advertising increased by 37, 5% while Sales increased by 20% on bigger base.

1.2 CREDITORS PAYMENT SCHEDULE

MONTH	CREDIT PURCHASES	OCTOBER	NOVEMBER
August	R60 000	6 000	
September	R67 500	10 125	R6 750 ✓✓
October	R75 000	53 438	R11 250 ☑☑
November	R90 000		R64 125 ✓✓
		69 653	R82 125 ☑

8

1.3

	CALCULATION	AMOUNT
(i)	Cash sales $R150\,000 \times 40\%$	R60 000 ✓✓
(ii)	Cash purchases of stock R120 000 two marks $R180\,000 \checkmark \times 100/150 \checkmark \times 25\% \checkmark$	R30 000 ☑
(iii)	Delivery expenses 6% two marks $9\,000 \checkmark / 150\,000 \times R180\,000 \checkmark$	R10 800 ☑
(iv)	Salaries and wages $38\,700 \checkmark \times 100/107.5 \checkmark \checkmark$	R36 000 ☑
(v)	Repayment of loan 168 000- 120 000 OR $600 \checkmark \times 100/15 \checkmark \times 12 \checkmark$ OR $7\,200 \times 100/15$	R48 000 ☑

(vi)	Cash at end of month	R53 250✓
(vii)	Cash surplus or deficit for the month 10 950 + 53 250	(64 200)✓✓

21

1.4

State ONE consequences that the business might face should they not pay the amount due to creditors in September 2022.

Any one possible response✓✓

- Legal action can be taken by the creditor.
- Business will be charged interest for slow payment.
- The credit ratings of the business will decrease/ could be blacklisted
- Credit to the business will be stopped by the creditor.

2

1.5 Briefly explain ONE advantage and ONE disadvantage of each option.

OPTION	ADVANTAGE ✓✓✓	DISADVANTAGE ✓✓✓
Request a friend to become a partner	She will have the necessary funds to purchase the assets (which will then belong to the business) / share workload and skills / partner will share losses.	She will have to share half his profits with her new partner.
Lease the equipment from Rifo	She does not have to raise a loan / does not have to pay interest on loan / will not have to pay repair costs.	The lease charges are expensive/ lease is over five years / never owns the assets but continues to pay.
Acquire a new loan	She will own the assets / they could last longer than 5 years if she takes good care of them.	She has to pay interest / pay monthly instalment (which must include interest).

Activity 2 Marking Guideline

2.1 Explain why:

2.1.1

Bad debts will not appear in a cash budget.

It is a non-cash item. ✓

(1)

2.1.2

A cash budget is an effective internal control mechanism.

Effective control over cash resources / monitoring of cash receipts and payments / reconciling cash (bank) balance for planning / ensuring good liquidity / identifying cash flow problems and taking steps to rectify them. ✓✓

(2)

2.2.1 DEBTORS COLLECTION SCHEDULE

Month	Credit sales	AUGUST	SEPTEMBER
JUNE	360 000	64 800	
JULY	364 000	109 200	65 520✓✓
AUGUST	382 200	183 456	114 660✓✓
SEPTEMBER	354 900		170 352✓✓
RECEIPTS FROM DEBTORS		357 456	350 532☑

2.2.2 Calculate:

WORKINGS	ANSWER
(i) Rent income: August 13 878 x 100/108	12 850✓☑
(ii) Payment to creditors: September 320 000 x 75%	240 000✓☑
(iii) Repayment of loan: September 550 two marks (3 300 – 2 750)✓✓ x 12 ✓ 0,11✓	60 000☑
(iv) Ordinary share dividends: September (480 000✓ + 75 000✓✓) x 0,15	83 250☑

(13)

2.2.3 Calculate: % increase in salaries and wages.

WORKINGS	ANSWER
8 058✓ ÷ 134 300✓ x 100	6%✓

2.2.4

Provide TWO reasons why the company decides to invest in staff training.

✓✓

Improve the image of the business / more efficient labour force

Giving back to the community that supports the business.

CSR – corporate social responsibility (as outlined in the King code)

Good corporate governance.

Good publicity – better profits (more customers)

(2)

2.2.5

Comment on the new approach regarding cash and credit sales.

Due to drop in sales, decided to sell more on credit✓✓

(2)

Explain TWO disadvantages of the approach adopted.

✓✓ ✓✓

Could lead to cash flow problems – debtors pay later

Controlling debtors – additional administrative duties – sending statements etc.

Possibility of bad debts / debt collectors / legal action

(4)

Comment on actual and budgeted figures for the following items:

ADVERTISING Comment✓✓ Figure (related to sales) ✓	Budgeted for 3% of sales; actual is 4% of sales / Sales is less than budgeted by 40% but advertising only 20% less than budgeted. Advertising was not effective – did not achieve the desired sales.
PACKING MATERIAL Comment✓✓ Figure (related to sales) ✓	Budgeted for 6% of sales; actual is 5,5% of sales / Sales is less than budgeted by 40% but packing material is 44,9% less than budgeted. Packing material is well controlled – effective use is made. No wastage or mismanagement noted.

(6)

Activity 3 Marking Guideline

PROJECTED INCOME STATEMENT

3.1.1

Calculate the mark-up percentage on spare parts used in the Projected Income Statement for March 2023.

$$875 \checkmark / 30\,500 \checkmark \times 100 = 75\% \checkmark \text{ one part correct}$$

3

3.1.2

Calculate % decrease in service fee income expected in April 2023.

$$500 \checkmark / 150\,000 \checkmark \times 100 = 9\% \checkmark \text{ one part correct}$$

$$(150\,000 - 136\,500) \text{ one mark}$$

3

3.1.3

Calculate the additional space (in square metres) the business will rent from April 2023.

$$6\,000 / 75 = R80 \checkmark \checkmark$$

$$9\,200 / R80 = 115 \text{ sqm} \checkmark$$

$$\text{Additional space} = 115 - 75 = 40 \text{ square metres} \square \text{ one part correct}$$

OR

$$3\,200 \text{ one mark}$$

$$(9\,200 - 6\,000) = 40 \text{ sqm one method}$$

$$\text{mark} \quad 80 \text{ two marks}$$

3

3.1.4

Calculate the interest rate on the fixed deposit.

$$\begin{array}{r} 5 \\ 700 \\ - 2 \\ 700 \\ \hline 3000 \end{array} \checkmark \checkmark \times \frac{12}{450\,000} \checkmark \times 100 = 8\% \checkmark \text{ one part correct}$$

5

3.2

Comment on the control of stock and explain how Vusi intends to correct this. Quote figures.

Each item ☐✓✓ Figures ✓✓ **Comparison figures not essential**

Trading stock deficit reduced to R2 000 (was high at R14 000)

Increase in security expenses by R4 200 / from R5 000 to R9 200 / by 84%.

3.3.1

Vusi is thinking of purchasing the business premises rather than renting it. State ONE advantage and ONE disadvantage of this option.

Advantage ✓✓ **part-mark for unclear / incomplete answer** ✓✓ Will not have to pay rent in future.

- Business will acquire a fixed asset. This increases the value of the business.
- Extra space can be rented out to receive additional income.

Disadvantage ✓✓ **part-mark for unclear / incomplete answer** ✓✓ Rates on property must be paid.

- Additional maintenance costs will be incurred.
- Large initial cash outlay or an additional monthly instalment, including interest.
- Not easy to relocate quickly
- Costs and time involved in selling a building.

4

3.3.2

Vusi offers a free delivery service of spare parts to customers, but plans to discontinue this service on 31 March 2023.

State TWO points to support this decision.

Any TWO relevant points: ✓✓ ✓✓ **part-marks for unclear / incomplete answer**

- Customers will be forced to have the spare parts fitted as part of the service offered by the business.
- The business will be saving on the running cost of the delivery vehicle
- The main line of business is the repairing of vehicles – the sale of spare parts supports this
- The profit on sale of spare parts is considerably lower than the fee income for the repair service.

4

3.3.3

Calculate the cost of the new vehicle that he plans to purchase on 1 April 2023.

$$\frac{000 \checkmark \times 12 \checkmark}{0,15 \checkmark \text{ or } 15\%} = R720\,000 \checkmark \text{ one part correct}$$

4

3.4.1 Explain whether Water and electricity has been well controlled, or not.

Comment on control ☐

Figures ☐

Part-mark for unclear / incomplete answer Comparison figures not necessary but may enhance explanation

This expense has been well-controlled. If the projected amount of R4 500 considered the increase, it would have been R5 175. Only R5 000 was spent (R175 less than the adjusted projected amount).

OR

The projected amount (R4 500) has not taken in account the tariff increase of 15% affected on 1 February 2023, which would have led to an adjusted projected amount of R5 175.

3.4.2 Explain whether you agree with Vusi's decision not to use the full budget for Advertising.

Comment on decision ☒ Figures ☒

Part-mark for unclear / incomplete answer Comparison figures not necessary but may enhance explanation

The actual amount spent is R2 900 less than the budgeted/projected. / The amount spent (R1 800) is lower than the projected amount (R4 700). This was a poor decision and the full amount should have been used (considering that that mark-up on cost was also adjusted from the projected 65% to 80%).

This had a negative effect on fee income (R22 500 less than projected) and sales of spares (R31 500 less than projected)

3.4.3 Explain whether Consumable stores have been well controlled, or not.

Comparison of fee income and consumable stores ☐ Figures ☐ Part-mark for unclear / incomplete answer Comparison figures not necessary but may enhance explanation

Fee income was less than budgeted by R22 500 (15%) whilst servicing expenses was over the budget by R6 450 (21, 5%). An actual decrease in fee income should see a proportional decrease in consumable stores used. This indicates a lack of control.

3.4.4 Explain how Vusi's decision about the mark-up percentage on spare parts has affected the business.

Comparison of mark-up% and sales ✓✓ Figures ✓✓

Part-mark for unclear / incomplete answer Comparison figures not necessary but may enhance explanation

- The increase in the mark-up percentage (65% to 80%) negatively impacted in spare-part sales.
- Sales was less than projected by R31 500 (R128 700 to R97 200).
- Profit on sales was less than projected by R7 500 (R50 700 to R43 200).

Activity 4 Marking Guideline

4.1

Explain why it is important for Jim to prepare a projected Income Statement.

Valid explanation ✓✓

Good = 2 marks; satisfactory = 1 mark; incorrect = 0 marks

Expected response for 2 marks:

- To reflect the profit or loss the business can expect to make
- It enables him to plan properly and to anticipate any problems which could arise
- So that he can compare budgeted to actual figures in order to take corrective action.

Expected response for 1 mark:

- To see if the business is making a profit or loss
- To reflect projected income and expenditure.

4.2

Calculate percentage increase in sales he expects in December.

$118\,000 / 590\,000 = 20\%$ ✓✓ **no part marks**

Explain why he has budgeted for this increase.

Explanation ✓✓

4.3

Expected response for 2 marks:

- December should be a much busier period because

Calculate the mark-up percentage he actually achieved in October.

of festive season (Christmas) or summer holidays.
 ▪ There are more advertisements placed in December than in the other months.
 $220\,500 \div 490\,000 \times 100 = 45\%$ **operation if one part correct**

- This is a shop focusing on holiday activities (so they should be busy during these periods)

Explain whether or not it was a good idea to change the mark-up percentage from his original target.

Yes / No ✓ Explanation ✓✓ **part-marks for partial answers**

Explanation for no:

Even though the actual sales were much more than budgeted, it did not result in a higher gross profit.

Explanation for yes:

- Sales increased significantly. (Although the gross profit was apparently the same), the business now has more customers (goodwill) which will benefit them in future.

- If they did not decrease their gross profit margin (from 60%) to 45%, they would not stay competitive and sales could drop and consequently net profit would drop.

4.4

Calculate the following figures in the Projected Income Statement:

	Workings	Answer
Rent income for November 2022	$200 \checkmark \times \frac{105 \checkmark}{100}$ (one mark) R260 (one mark) $200 + (5\% \times 5\,200)$	R5 460 <input checked="" type="checkbox"/> operation one part correct
Advertising for December 2022	$\checkmark \times 8 \checkmark$ 400 (one mark) (one mark) $000 + 400 + 2\,640$	R7 040 <input checked="" type="checkbox"/> <input type="checkbox"/> operation one part correct
Interest expense for November 2022	$15\% \checkmark \times 950\,000 \checkmark / 12 \checkmark$	R11 875 <input checked="" type="checkbox"/> operation one part correct

4.5

Refer to the actual and budgeted figures for October 2022. Identify the THREE overhead expenses that have been poorly controlled by Jim. Quote figures to support your answer.

Identification of THREE items: ✓✓✓

Identification of figures: ✓✓✓

Any three items:

- Maintenance of property is R3 000 over budget (R7 000/R4 000) ✓ Water and electricity is R4 400 over budget (R5 600/R1 200)
- Trading stock deficit is R4 300 over budget (R12 300/R8 000)

What advice would you offer Jim to improve his internal control over these overhead expenses? Explain.

Advice ✓✓ **part-marks for partial answers**

Expected responses for 2 marks:

- Jim must inspect the reasons for being over budget (e.g. lack of care over property, water leaks, poor control of stock)
- He must take corrective action for the items that are over budget.
- He must budget more realistically in future.

4.6

Jim is of the opinion that he could benefit financially if he accepts Samuel's offer. State THREE points that would have a positive effect on his Projected Income Statement for January 2023 if he accepts the offer. Give figures or information from the question to support your answer.

Three separate points ✓✓✓

Figures ✓✓✓

Expected responses for 2 marks each:

- He will be saving interest on the loan – R10 625 or R11 250 or R11 875 / He will be paying no interest on loan (i.e. 0)
- He will be earning interest on a fixed deposit – 6% of R650 000 (R3 250)
- He will save on maintenance costs – R4 000 or R7 000 / He will incur no maintenance costs (i.e. 0)
- He will save on rates – R1 000 / He will not pay rates (i.e. 0)
- The rent expense is R125 less than the interest on the loan (R10 625 – R10 500)

He will reflect a profit on sale of the property of R300 000 in the Income Statement.

Jim is also conscious of the fact that there are negative points if he accepts the offer. State TWO points that Jim should consider before finalising his decision to sell the property. Explain.

Two valid points ✓✓ ✓✓ figures not necessary in this case

Expected responses for 2 marks:

- He will be losing an asset which appreciates in value over time
- The value of the land and buildings may increase by more than the rent he is paying (R126 000 per year)
- He will be losing rent income (R5 460 per month)
- He will be paying rent (R10 500 per month)
- The rental will increase annually
- It could hamper future development of the business (if he does not own the fixed assets)
- He will not have collateral in the form of property.

Activity 5 Marking Guideline

5.1

Identify TWO items in the Cash Budget that will not appear in the Projected Statement of Comprehensive Income.

TWO valid answers ✓ ✓

- Payment to creditors
- Cash from debtors
- Fixed deposit

2

5.2.1

DEBTORS COLLECTION SCHEDULE

MONTH	CREDIT SALES	OCTOBER	NOVEMBER
August	90 000	18 000	
September	93 000	27 900	18 600✓✓
October	99 000✓✓	47 025	29 700☑☑ If x 30%
November	105 000		49 875✓✓
			98 175☑ one part correct

9

5.2.2

Calculate the figures indicated by (a) – (e) in the Cash Budget.

NO.	WORKINGS	ANSWER
(a)	Cash sales $105\,000 \checkmark \times 40/60 \checkmark$	70 000☑ one part correct
(b)	Commission income $25\,800 \checkmark \times 100/107,5 \checkmark$	24 000☑ one part correct
(c)	Interest on fixed deposit $600 \times 12 \times 100/8 = 90\,000 \checkmark \checkmark \checkmark$ 60 000 one mark $90\,000 - 30\,000 \checkmark \times 8/100 \times 1/12 \checkmark$ OR $30\,000 \times 8/100 \times 1/12 = 200$ one mark one mark one mark one mark 600 – 200 one mark	400☑ one part correct
(d)	Payment to creditors $93\,000 \checkmark \times 100/60 \checkmark \times 100/125 \times 80/100 \checkmark$	99 200☑ one part correct
(e)	Salaries and wages $216\,500 \checkmark - 46\,500 \checkmark - 46\,500 \checkmark$	123 500☑ one part correct

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5.3

Comment on the internal controls regarding the collection from debtors and the payment to creditors. Provide TWO points.

Any TWO valid points ✓✓ ✓✓ part-marks for unclear/incomplete answers

- Only 50% of the debtors comply with the credit terms.
- The cash from debtors do not cover the payments to creditors (per month).
- 80% of stock is bought on credit/only 20% of stock bought is for cash.
- As cash sales is a greater percentage of total sales, it may be wise to increase the percentage of cash purchases.
- Taking advantage of short-term credit is only beneficial if it eases cash-flow problems.

4

TOTAL MARKS

35

VALUE ADDED TAX(VAT)

Activity 1 Marking Guideline

1.1

Calculate the VAT amount payable to/receivable from SARS on 30 June 2022.

Mark one line only. Cannot mix signs. Inspect candidate's responses. Award highest mark.

$$+ \underset{\checkmark}{7\ 590} + \underset{\checkmark}{23\ 700} - \underset{\check\checkmark}{13\ 356} - \underset{\check\checkmark}{867} + \underset{\check}{760} + \underset{\check}{93} - \underset{\check}{1\ 125} = +16\ 795 \quad \checkmark$$

One part correct

Payable ✓

OR

$$- 7\ 590 - 23\ 700 + 13\ 356 + 867 - 760 - 93 + 1\ 125 = -16\ 795$$

VAT CONTROL	
✓✓ 13 356	✓ 7 590
✓✓ 867	✓ 23 700
✓ 1 125	✓ 760
☑ 16 795	✓ 93
32 143	32 143

VAT CONTROL	
✓ 7 590	✓✓ 13 356
✓ 23 700	✓✓ 867
✓ 760	✓ 1 125
✓ 93	☑ 16 795
32 143	32 143

11

Activity 2 Marking Guideline

2.1 VAT

Calculate the amount owing to SARS in respect of VAT at the end of February 2022 after taking transactions 1 – 5 into account. Clearly state whether the amount would be added or subtracted by using a (+) or (-) sign.

Accept VAT control account

*R8 120 must be added to award a part mark

NO.	VAT AMOUNT OWING TO SARS
1.	R8 120
2.	+ R912✓
3.	+ R252✓
4.	-R330✓ <input checked="" type="checkbox"/> 300 - 630
5.	+ R10 200✓ <input checked="" type="checkbox"/> 11 100 – 900 one part correct
	R19 154 <input checked="" type="checkbox"/> *

Activity 3 Marking Guideline

VAT

3.1

Explain why the government in SA made certain goods to be zero-rated.

Any ONE valid point ✓✓

To make basic goods to be affordable to needy people.

2

3.2 Taking into account the error and omission, calculate the VAT amount that is either payable or receivable from SARS.

	Answer
$R89\ 600✓ + 84\ 000✓ - 29\ 100✓ + 450✓✓ - 8\ 250✓✓$ Signs can be reversed Accept alternative calculations, e.g., Ledger account	$R136\ 700✓$ one part correct

8

3.3

Explain what you would say to Peter. Provide TWO points.

Any valid explanation ✓✓ ✓✓ (must mention legal issue)

Peter must keep accurate records of VAT and make correct submissions to SARS for the following reasons:

- It is illegal business practice (fraud)/not prudent practice.
- The business is an agent of SARS – correct money collected on behalf of SARS must be paid.
- The business will be liable for penalties and fines.

4

STATEMENT OF COMPREHNSIVE INCOME

ACTIVITY 1-CORRECT THE NET PROFIT

1.1.1 Calculate:

(i) Depreciation for the current year							
Workings	Answer						
192 000✓ x 20% x 8/12✓	On part correct 25 600✓ [3]						
(ii) Carrying value of vehicles sold							
Workings	Answer						
192 000 ✓ - 25 600 <input type="checkbox"/> see (i) above 60 000+48 000+25 600 OR: 300 000- 133 600	Two marks R166 400 If wrong, mark workings. Cannot get full marks if superfluous workings [2]						
Calculate: Profit/loss on sale of asset							
Workings	Answer						
175 000✓ - 166 400 <input type="checkbox"/> see (ii) above	R8 600 If wrong, mark workings. Cannot get full marks if superfluous workings [2]						
Calculate: Fixed assets at carrying value on 29 February 2024							
Workings	Answer						
✓ <input type="checkbox"/> See (i) above <input type="checkbox"/> see (ii) above 10 170 000 - 25 600 - 166 400 192 000 two method marks OR :10 170 000- (300 000-133 600 + 25 600) One mark one method mark one method mark Also accept ledger account <table border="1"> <tr> <td>10 170 000</td><td>25 600</td></tr> <tr> <td></td><td>166 400</td></tr> <tr> <td></td><td>9 978000</td></tr> </table>	10 170 000	25 600		166 400		9 978000	One part correct R9 978000 <input type="checkbox"/> [4]
10 170 000	25 600						
	166 400						
	9 978000						

1.1.2

Calculate the correct net profit after tax for the year ended 29 February 2024. Indicate (+) for increase and (-) for decrease.

Workings	Answers
Incorrect Net Profit before tax	922 800
Provision for bad debts adjustments	(68 000) ✓
Advertising	9 900 ✓
(2500x3)	
Rent Income (332 500-7 500)/13 +2 500	(27 500) ✓ □
Additional depreciation see(i)	(25 600) □
Profit on sale of asset see(ii)	8 600 □
Loss on fire (7 400-6 500)	(9 00) ✓✓
Correct Net Profit before tax	819 300 □
Income tax (156 000+43 000)	(199 000) ✓ □
Correct net profit after tax	620 300 □ One part correct

Activity 2

2.1

Calculation of the correct net profit after tax Accept bracket instead of – If no sign, accept + Positive/Negative effect & figure must be correct. Foreign entries -1(max-2)			
Incorrect net profit			1 089 238
i.	10 600-7 800	✓✓	+2 800
ii.	Cost (8 172/90%/160%) =6 050 8 712 ✓ - 6 050 ✓□	□	+2 662
iii.	5 600+5 600 Operation, one part correct	✓□	+11 200
iv.		✓	+5 400
v.	648000✓ / 54 ✓ X 6 ✓ OR 648000 / 4.5 / 2 Operation, one part correct	□	-72000
vi.		✓	-30 000
vii.		✓	-3 300
viii.	72 00 / 6 = 1 200✓ X 4✓	□	+4 800
Correct net profit before tax Operation, one part correct			1 010 800
Income tax			(333 564)
Net profit after tax Check operation, NP - tax			677 236

Activity 3

3.1 Calculate the correct net profit after tax for the year ended 31 December 2023. Indicate a '+' for increase and '-' for decrease.

Workings		Amount
Incorrect net profit before tax		1 738 780
Rent income		
8 100 ✓✓ X 2 ✓	✓ □	- 16 200
Insurance 58 680 / 12 = 4 890 x 2	✓✓ ✓	+ 9 780
Interest on loan 1 120 000 ✓ - 319 200 ✓ - 880 000 ✓	□	-79 200
Depreciation 2 950 000 - 1000 000 (425 000- 390 000 acc. Dep) (1 950 000 ✓ - 35 000 ✓) X 20% = 383 000 OR 390 000 ✓ - 383 000 □ see above = 7 000 OR 390 000 - 383 000 = 7000	✓ □	+ 7 000
Provision for bad debt adjustment	✓✓ ✓	
18 940 - 13 640		+ 5 300
Net profit BEFORE tax	□	1665 460
Income tax	□	(499 638)
Net profit AFTER tax	□	1 165 822

STATEMENT OF FINANCIAL POSITION

Activity 1

- 1.1.1 B ✓
 1.1.2 D ✓
 1.1.3 A ✓
 1.1.4 C ✓

1.2 PSJ LIMITED

1.2.1 ORDINARY SHARE CAPITAL

1 200 000✓	Ordinary shares at R6,00 see below AVP (SBB amount / 40 000)	✓✓7 200 000
(40 000) ✓	60 000 x 100/ 25 Shares repurchased at an average price	Do not accept 60 000 (240 000) ✓✓
300 000✓	Ordinary shares issued during the year	balancing figure 2 550 000✓
1 460 000	Ordinary shares at the end	9 510 000

[8]

1.2.2

RETAINED INCOME NOTE ON 29 FEBRUARY 2024

Balance at the beginning Inspect operations from bottom (+OSD + SBB - NPAT)	*324 000✓
Net profit after tax (408 800 x 72/28)	✓✓1 051 200
Repurchase of shares Ignore brackets	✓ (60 000)
Ordinary share dividends Ignore brackets operation	(522 200)✓
Interim dividends	420 000
Final dividends (1 460 000 ✓ x 7 cents ✓)	*✓102 200
Balance on 29 February 2024	793 000

STATEMENT OF FINANCIAL POSITION ON 29 FEBRUARY 2024.

ASSETS	
NON-CURRENT ASSETS	*
	✓9 447 060
(50 000 one mark + 120 000 one mark + 120 000 one mark) Fixed assets (8 532 560 + 600 000 ✓ – 290 000 ✓✓✓) *✓8 842 560	
(806 000 x 75%) three marks Fixed deposit (806 000 ✓ – 201 500 ✓✓) 10	* ✓604 500
CURRENT ASSETS Total Assets – Non Current Assets	✓ 4 295 540
Inventory balancing figure	✓2 847 240
Trade and other receivables (1 067 800 + 48 000 ✓ - 1 000✓)	*✓1 114 800 See FD
Cash and cash equivalent (132 000 ✓ + 201 500 ✓)	*✓333 500
TOTAL ASSETS See TE and L 9	✓ 13 742 600
EQUITY AND LIABILITIES	*
Ordinary Shareholders' equity 3	✓10 303 000
Ordinary share capital	✓9 510 000
Retained income	✓ 793 000
NON-CURRENT LIABILITIES	1 200 000
(3 000 000 one mark – 600 000 one mark – 600 000 one mark) Loan (1 800 000 ✓✓✓ – 600 000✓✓) 6	* ✓1 200 000
CURRENT LIABILITIES	*✓2 239 600
Trade and other Payables (1 441 000 ✓ + 72 000 ✓ + 6 600 ✓ -1 000✓)	* ✓1 518 600
Short term loan see loan above	✓600 000
Shareholders for dividends see 1.2.1	✓102 200
SARS: Income tax (408 800 ✓ - 390 000✓)	*✓ 18 800
TOTAL EQUITY AND LIABILITIES 12	✓ 13 742 600 *one part correct

[40]

1 F foreign items (max -2)

For misplaced items mark workings only

-1 P max (if no, or inappropriate details

ACTIVITY 2 : STATEMENT OF FINANCIAL POSITION

BCM TRADING LIMITED

EQUITY AND LIABILITIES		
SHAREHOLDERS' EQUITY		
480 000 ✓ x 720c ✓ (800 000 x 60%)		3 456 000 ✓*
Ordinary share capital		2 988 000 ✓
Retained income		468 000
NON-CURRENT LIABILITIES		535 700
Loan: Best Bank (45 200 x 12) one mark (542 400 – 150 000) one mark (1 250 000 ✓ – 542 400 ✓ + 220 500 ✓) – 392 400 ✓ 928 100 three marks		535 700 ✓*
CURRENT LIABILITIES		770 200 ✓*
Trade and other payables (203 100 ✓ + 3 400 ✓ + 12 000 ✓✓ + 37 500 ✓) 206 500 two marks deposit audit fees		256 000 ✓*
SARS Income tax (340 088 – 323 888)		16 200 ✓✓#
Shareholders for dividends (445 600 ✓ – 340 000 ✓)		105 600 ✓*#
Current portion of loan above see NCL		392 400 ✓#
TOTAL EQUITY AND LIABILITY		4 761 900 ✓

Foreign entries -1 (max-2)

Presentation/incorrect details -1(max-2)

*one part correct

#Can be part of T&OP

ACTIVITY 3

3.1

SHARE CAPITAL		
3 000 000	Shares issued at the beginning of the year	3 900 000
✓ (250 000)	Shares bought back @ R1,30 ✓	one part correct ✓ (325 000)
✓ 1 000 000	Shares issued at R3,20 ✓	✓ 3 200 000
one part correct ✓ 3 750 000		6 775 000

7

3.2

RETAINED INCOME	
Balance at the beginning of the year	1 190 264
Net profit after tax see 1.2.1	✓ 677 236
250 000 shares repurchased at R1,20 ✓	✓ (300 000)
One part correct, must be negative/brackets	
Dividends One part correct, must be negative/brackets	✓ (385 000)
Interim	110 000
Final (0,10✓x 2 750 000) ✓	✓ 275 000
One part correct	
Balance at the end of the year	✓✓ 1 182 500
Operation, one part correct	

8

3.3 BCM TRADING LIMITED
STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2024

EQUITY AND LIABILITIES	
ORDINARY SHAREHOLDERS' EQUITY	✓✓ 7 957 500
Ordinary share capital	6 775 000
Retained income	✓ 1 182 500
NON-CURRENT LIABILITIES	243 000
Loan: Custom Bank (354 000 ✓ – 111 000 ✓✓) (4)	✓ 243 000
CURRENT LIABILITIES	✓ 669 714
Trade and other payables (166 800 + #5 450 □ + 72 000 □ + 2 600 □ + #3 300 □) directors fee deb led rent income Operation, one part correct	□ *250 150
SARS – Income tax (333 564 □ – 300 000 □) Operation, one part correct	□ *33 564
Shareholders' for dividends See 1.2.3	□ *275 000
Shortterm loan	□ *111 000
TOTAL EQUITY AND LIABILITIES (13)	□ 8 870 214
*Items under CL may be combined	

19

CASH FLOW STATEMENT

Activity 1

1.1 CASH GENERATED FROM OPERATIONS NOTE

Net profit before tax	1 310 000
Adjustments for:	
Depreciation	453 000
Interest expense	252 000
Operating profit before changes in working capital	2 015 000
Changes in working capital	(1 017 000)
Decrease in inventory (272 000 – 254 000)	18 000 ✓✓*
Increase in debtors (1 592 000 – 770 000)	(822 000) ✓✓*
Decrease in Creditors (692 500 – 479 500)	(213 000) ✓✓*
Cash generated from operations	998 000 ✓#

7

one part correct
* must indicate amount as an inflow or outflow

1.2 Cash Flow Statement

A. Dividends paid	
WORKINGS	ANSWER
$22\,500 + (493\,500 - 157\,500)$ <p style="text-align: center;">336 000 three marks ✓ ✓✓ ✓</p> <p style="text-align: center;"># one part correct</p> $493\,500 (683\,800 + 13\,200 - 917\,000 - 273\,500)$ <p>Accept alternative methods such as signs reversed or ledger format</p>	$(358\,500) \checkmark$ <p>Ignore brackets One part correct</p>
B. Taxation paid	
WORKINGS	ANSWER
$46\,000 + 393\,000 + 95\,000$ <p style="text-align: center;">✓ ✓ ✓</p> <p>Accept alternative methods such as signs reversed or ledger format</p>	$(534\,000) \checkmark$ <p>Ignore brackets One part correct</p>
C. Change in investments	
WORKINGS	ANSWER
$(133\,300 - 100\,000)$	$(33\,300) \checkmark$ <p>Ignore brackets</p>

5

4

1

A. Proceeds from shares issued	
WORKINGS	ANSWER
2 191 700 + 86 800 – 1 378 500	900 000 ✓✓ <i>Ignore brackets</i>

2

B. Repurchase of shares	
WORKINGS	ANSWER
2.50 two marks $40\,000 \times (2,17\checkmark + 0,33\checkmark)$ $13\,200 + 86\,800$ 1 mark 1 mark	$(100\,000)\checkmark$ <i>Ignore brackets</i> <i>One part correct</i>

3

C. Net change in cash and cash equivalents	
WORKINGS	ANSWER
656 000 – 46 000	610 000 ✓✓

2

1.3.1 Calculate the following financial indicators:

Net asset value per share	
WORKINGS	ANSWER
$\frac{2\,875\,500\checkmark}{1\,010\,000\checkmark} \times \frac{100}{1}$	285 cents ✓ <i>One part correct</i>

3

Debt / Equity ratio	
WORKINGS	ANSWER
$1\,800\,000\checkmark : 2\,875\,500\checkmark$	$0.63 : 1\checkmark$ <i>One part correct</i> <i>Must be x :1</i>

3

Return on average capital employed

WORKINGS	ANSWER
$\frac{1\,310\,000\checkmark + 252\,000\checkmark}{\# \frac{1}{2}(2\,875\,500 + 1\,800\,000)\checkmark + (1\,652\,000 + 1\,000\,000)\checkmark} \times \frac{100}{1}$ $\frac{1\,562\,000}{4\,675\,500\ (1\text{ mark}) + 2\,652\,000\ (1\text{ mark})} \times 100$ $\frac{1\,562\,000}{7\,327\,500\ (1\text{ mark})} \times 100$ 21.31% 3 663 750 (2 marks)	42,63% ✓ <i>One part correct</i> <i>(x 100/1 does not constitute one part correct)</i> <i># must be average SE + NCL</i>

5

TOTAL MARKS**35**

Activity 2

2.1

Choose the correct term to complete each of the following statements. Write only the term next to the question numbers (2.1.1 to 2.1.4) in the ANSWER BOOK.

2.1.1	Current Asset ✓
2.1.2	Non - Current Asset ✓
2.1.3	Net working Capital ✓
2.1.4	Statement of comprehensive income ✓

4**2.2.1**

Prepare the Ordinary Share Capital Note to Statement of Financial Position.

AUTHORISED:**1 000 000 ordinary shares****ISSUED:**

900 000 <input checked="" type="checkbox"/> operation	Ordinary shares in issue on 1 March 2022	10 809 400 <input checked="" type="checkbox"/> operation
80 000 ✓	Shares issued during year at R12,74	1 019 200 <input checked="" type="checkbox"/>
(40 000)✓	Shares repurchased at R12,07✓	(482 800) ✓
940 000	Ordinary shares in issue on 28 February 2023	11 345 800

7**2.2.2**

Calculate the following amounts for the Cash Flow Statement. Show workings.

Income tax	
WORKINGS	ANSWER
- 439 650 ✓ ✓ + 16 950 ✓ + 32 700 ✓ Accept alternative arrangements for calculations such as signs reversed, brackets or ledger accounts	(390 000) <input checked="" type="checkbox"/>
5	
Proceeds from sale of assets	
WORKINGS	ANSWER
13 163 580 ✓ +185 400 ✓ - 870 600 ✓ -12 646 080 ✓ Accept alternative arrangements for calculations such as signs reversed, brackets or ledger accounts	167 700 <input checked="" type="checkbox"/>
5	

2.2.3 Complete the following sections to the Cash Flow Statement:

CASH EFFECTS FROM FINANCING ACTIVITIES	
CASH FLOW FROM FINANCING ACTIVITIES	1 305 000 <input checked="" type="checkbox"/>
Proceeds from shares issued	1 019 200 <input checked="" type="checkbox"/>
Repurchase of shares	(539 200)
Change in loan (2 100 000✓ – 1 275 000✓)	825 000 <input checked="" type="checkbox"/>
5	

--

NET CHANGE IN CASH AND CASH EQUIVALENTS	
NET CHANGE IN CASH AND CASH EQUIVALENTS	566 550
Cash and cash equivalents at beginning of the year (37 500✓ - 213 780✓)	(176 280) ✓
Cash and cash equivalents at end of the year	390 270 ✓

4

2.2.4	The Cash Flow Statement reflects a significant inflow of cash through financing activities. The Cash Flow Statement highlights ways in which the directors used this inflow. Identify TWO ways, with figures (exceeding R500 000). Explain how this will benefit to the company.
--------------	---

CRUCIAL DECISION ✓ ✓	EFFECT OF DECISION ✓✓ ✓✓
Fixed assets purchased – R870 600	Leads to capital growth (future productivity)/more assets in the company/improve profit-earning capacity/existing fixed assets may be obsolete
Buy back of shares – R539 200	Keep existing shareholders happy/ disgruntle shareholder can leave/increase share price on market/ improve Nav
Inflow of net change in cash and cash equivalents – R566 550	Get rid of overdraft / addressed the overdraft

6

2.2.5 Calculate the following financial indicators on 30 June 2023:

% return on average capital employed (ROTCE) (Average capital employed amount to R11 433 075)
--

WORKINGS	ANSWER
$\frac{1\,025\,850 + 439\,650 \checkmark}{11\,433\,075 \checkmark} \text{ OR } 1\,025\,850 \times 100/70$ $\frac{1\,465\,500 \checkmark \checkmark + 214\,500 \checkmark}{11\,433\,075 \checkmark}$ $\frac{1}{2} (11\,345\,800 + 498\,700 + 10\,809\,400 + 212\,250) \checkmark$ <p>only 1 mark as average capital employed is given</p> <p style="text-align: center;">OR</p> $\frac{1\,680\,000}{11\,433\,075} \times \frac{100^*}{1}$	14,7% <input checked="" type="checkbox"/>

5

Dividends per share	
WORKINGS	ANSWER
$\frac{310\,200}{940\,000}$ <p>final div calculation</p> <p>38c <input checked="" type="checkbox"/> + 33c <input checked="" type="checkbox"/> <input checked="" type="checkbox"/></p>	71 cents <input checked="" type="checkbox"/>

4

TOTAL MARKS
45

Activity 3

- 3.1 Complete the Note for Reconciliation between net profit before tax and cash generated from operations for the year ended 30 June 2022:

Net profit before tax	
Adjustment in respect of:	
Depreciation	16 645 ✓✓
Interest on loan	120 000 ✓✓
Operating profit before changes in working capital	

4

- 3.2.1 Calculate: Taxation paid

WORKINGS	ANSWER
197 600✓ – 4 000✓ – 10 375✓	183 225 ✓*

4

- 3.2.2 Calculate: Fixed assets purchased

WORKINGS	ANSWER
16 645✓ + 19 430✓✓ + 1 541 940✓ – 944 800✓	633 215 ✓*

6

- 3.2.3 Calculate: Shares issued

WORKINGS	ANSWER
----------	--------

100 000 x R15	R1 500 000 ✓✓
---------------	---------------

2

3.2.4 Calculate: Funds used for the repurchase of shares

WORKINGS	ANSWER
(10 000 x R16.00) (10 000 x R12,50 + 10 000 x R3,50)	R160 000 ✓✓

2

32.5 Calculate: Net change in cash and cash equivalents

WORKINGS	ANSWER
Net change in cash and cash equivalents	239 400 ✓
Cash and cash equivalents at the beginning (153 000 – 2 500)	(150 500) ✓✓
Cash and cash equivalents at the end	88 900 ✓

4

3.3.1 Calculate: Earning per share

WORKINGS	ANSWER

$\frac{322\,400}{190\,000} \times \frac{100}{1}$	169,68 cents <input checked="" type="checkbox"/> or 170 one part correct must be cents
--	---

4

3.3.2

Calculate: Debt-equity ratio

WORKINGS	ANSWER
$350\,000 : 2\,499\,900$	0,14 : 1 <input checked="" type="checkbox"/> or 0,1 : 1 one part correct must be in ratio: 1

3

3.3.3

Calculate: Return on average capital employed

WORKINGS	ANSWER
$\frac{640\,000}{520\,000 + 120\,000} \times \frac{100}{1}$ $\frac{1}{2} (2\,849\,900 + 2\,187\,500)$ $\frac{5\,037\,400}{2\,518\,700}$	25,4% <input checked="" type="checkbox"/> or 25,40% one part correct must be in %

6

TOTAL MARKS
35

Ratio Analysis and Interpretation

Activity 1

1.1

Explain how the customers reacted to the change in the mark-up percentage and whether this benefited the company or not.

TWO valid points (with figure) ☐☐ ☐☐ part marks for incomplete or unclear response

☐ Average spending of clients increased (from R120 000) to R160 000 / by R40 000.

☐ Sales revenue increased (from R33,6m) to R39,2m.

☐ Customers still supported the business although the % mark-up increased (from 40%) to 60%.

☐ Drop in customer numbers (from 280) to 245 / by 35 / by 12,5%.

1.2

Comment on the operating efficiency of the company over the past two years. Quote TWO financial indicators.

TWO financial indicators · · figures and trends · ·

· % operating expenses on sales improved/decreased (from 28%) to 22% / by 6% points / by 21,4%.

· % operating profit on sales improved/increased (from 10,2%) to 15,6% / by 5,4% points / by 52,9%.

· % net profit on sales improved/increased from 8,8% to 13,5% / by 4,7% points / by 53,4%.

Do not accept mark-up %

1.3.1

One of the shareholders cannot understand why the debt-equity ratio increased in 2024 despite the increase in the loan. Provide an explanation for him.

Reason ☐☐

The company increased the share capital / The company increased the loan.

1.3.2

The chief financial officer (CFO) is of the opinion that the increase in loan was a good decision. Apart from the debt-equity ratio, provide TWO points to support his opinion including ONE relevant financial indicator.	
Financial indicator <input type="checkbox"/> figures and trend <input type="checkbox"/> Explanation (comparing interest) <input type="checkbox"/>	
POINT 1	% ROTCE improved / increased from 11% to 19,7% / by 8,7% points / by 79%.
POINT 2	The degree of gearing has moved (from negative) to positive. Now exceeds the interest rate on loans (13% p.a.).

1.4.1

Comment on whether the shareholders should be satisfied with the return on their investment. Provide TWO points, including ONE relevant financial indicator.	
Financial indicator <input type="checkbox"/> figures and trend <input type="checkbox"/> Explanation (compare alternative investment) <input type="checkbox"/>	
Point 1	% ROSHE improved significantly from 8% to 15,6% / by 7,6% points / by 95%.
Point 2	This greatly exceeds the returns on most other investments (7% p.a.).

1.4.2

Comment on the earnings per share (EPS) and explain its impact on the dividend pay-out policy adopted by directors.	
EPS: figures and trend <input type="checkbox"/> Explanation on EPS <input type="checkbox"/> DPR: figures and trend <input type="checkbox"/> Explanation on DPR <input type="checkbox"/> part marks for incomplete or unclear response	
EARNINGS PER SHARE	EPS increased (from 113 cents) to 224 cents / by 111 cents / by 98%. · This shows improved profits in the company.
DIVIDEND PAY-OUT POLICY	The dividend pay-out rate decreased from 80% to 40% / by 40% points / 100%. · The business retained more earnings that would be used to benefit the business in the future.

1.5

Comment on the performance of the share price on the stock exchange (JSE). Provide TWO points, with figures and trends.	
Point 1	The market price of the share improved from 1 342c to 1 610c / by 268c. <input type="checkbox"/> <input type="checkbox"/> due to the good returns earned / positive image of the

	company
Point 2	<p>In 2024 the market price (1 610c) exceeded the NAV of (1 543c) by 67c <input type="checkbox"/> indicates good demand for shares. <input type="checkbox"/></p> <p>OR</p> <p><input type="checkbox"/> In 2023 NAV (1 413c) was higher than the market price (1 342c) by 71c; This indicates poor demand for shares</p> <p>NB: Do not award marks if only the NAV for both years were compared</p>

1.6.1

The company plans to issue additional new shares equal to 20% of the issued share capital, in the next financial year to existing shareholders. Allan has indicated that he will not take up this offer. Explain how this decision will affect his % shareholding and provide a calculation or figures to support your explanation.

Be aware of combined explanation with figures/calculations

TWO valid points ☐☐ ☐☐ with figures ☐☐ Part marks for incomplete or unclear response

Point 1	His return (dividends) is 11,5% of the price he paid for the shares; $(90 / 780) / \text{He earned R}324\,000 (360\,000 \times 90/100)$.
Point 2	<p><input type="checkbox"/> He paid 780c per share that is now worth 1 610c. This is 830c more than he paid for the shares, or 106,4%.</p> <p><input type="checkbox"/> His return increased from 8% to 15,6% / by 7,6% points / by 95%.</p>
NOTE: Contact the DBE IMs if candidates used Dividend Yield (DPS/MP) as an answer.	

1.6.2

The company plans to issue additional new shares equal to 20% of the issued share capital, in the next financial year to existing shareholders. Allan has indicated that he will not take up this offer. Explain how this decision will affect his % shareholding and provide a calculation or figures to support your explanation.

Be aware of combined explanation with figures/calculations

Part marks for incomplete or unclear response

CALCULATION figures or calculation	<p>He is currently a majority shareholder as he owns 51,4% <input type="checkbox"/><input type="checkbox"/> $(360\,000/700\,000)$ of the shares.</p> <p><input type="checkbox"/> His % shareholding will drop to 42,9% <input type="checkbox"/><input type="checkbox"/> $(360\,000/840\,000)$.</p>
EXPLANATION Any ONE point <input type="checkbox"/> <input type="checkbox"/> Be alert to valid explanations in calculations column	<p>He will no longer be the majority shareholder in the company.</p> <p><input type="checkbox"/> He cannot fully influence decision-making in the company.</p> <p><input type="checkbox"/> He cannot make a difference in the company anymore.</p>

1.7

Apart from the points provided above, state TWO different factors that will influence shareholders to vote in favour of approving such bonuses.

Any TWO valid points Part marks for incomplete or unclear response;
Figures not required.

Point 1	Liquidity / working capital is more efficiently controlled (CR 1,8:1 & ATR 0,9:1). <input type="checkbox"/> Unproductive fixed assets were sold (R1 100 000) and this will improve the cash flow in the company.
Point 2	Cash generated from operations has improved (by R2 921 500 / by 75,6%). <input type="checkbox"/> Performance of the company improved with lesser employees and directors as compared to 2023 (from 43 to 38).

Activity 2

2.1

2.1.1	False ✓
2.1.2	True ✓
2.1.3	False ✓
2.1.4	False ✓
2.1.5	True ✓

5

2.2

Explain why the market value is so important in this regard.

Any ONE explanation ✓✓

- If the market price of the share is more than the NAV of the share, it means investors are willing to pay more for the share than it is actually worth ✓✓
- MP increase with 30 cents show that shares is in demand
- MP is higher than NAV → demand for shares
- It shows that the shareholders have confidence in directors/ company

If the company issued all its unissued shares the following year, how much capital could it expect to raise for the company?

Unissued: $1\,000\,000 - 762\,500 = 237\,500$ ✓✓
 Price: $2,40 \times 110\% = \text{OR } 2,40 + 0,24 = 2,64$ ✓✓
 Receive: $237\,500 \times 2,64 = 627\,000$ ✓ *one part correct

7

2.3 Rather than issue more shares, the directors are considering taking out additional loans. Quote TWO relevant financial indicators (actual ratios or percentages) to support their opinion.

Indicator ✓✓ Figure ✓✓ Comment ✓✓

Debt/Equity ratio is 0,1 : 1. The risk is very low.

ROTCE is 44,3%, which is more than the interest on the loan of 13%. It is positively geared.

6

2.4 Kyle Johns, one of the shareholders, is currently the owner of 400 000 shares. What will happen to his shareholding if all the unissued shares are issued? Show calculations to support your answer.

Current: $\frac{400\,000}{762\,500} \times \frac{100}{1} = 52,5\%$ ✓✓ *one part correct

After: $\frac{400\,000}{1\,000\,000} \times \frac{100}{1} = 40,0\%$ ✓✓ *one part correct

Kyle will no longer be the majority shareholder ✓✓

6

2.5 On 1 March 2022 additional shares were issued at R3,00 each. Quote and explain relevant financial indicators with figures to show why the existing shareholders will be satisfied with this price.

Indicator ✓✓ Figure and trend ✓✓ Comment ✓✓

The market price increased from 210c to 240c /by 30c/ 14,3%
 The NAV increased from 213,6c to 217,3c / by 3,7c / 1,7%

6

The NAV is higher than the market price – investors are willing to pay extra for the shares. / R3 higher than R2,10

3.1 QUEENSTOWN

3.1.1

Explain why Arthur Ngunga should be satisfied on the liquidity position of Queenstown Ltd.

Quote TWO financial indicators with figures.

Financial indicators ✓ ✓ figures ✓✓

Comment ✓✓ could be included with financial indicator and trends.

- Current ratio increased from 0,9:1 to 1,3:1
- Acid-test ratio increased from 0,6:1 to 1,1:1
- Debtors improved from 42 days to 34 days

The business will be able to cover its short term debts.

Debtor are paying closer to the acceptable 30 days credit terms.

3.1.2

Explain whether the company is managing risk and gearing efficiently. Quote TWO relevant indicators with figures and trends to support your comment.

Financial indicators ✓ ✓ figures and trend ✓✓

Comment ✓✓ could be included with financial indicator and trends

Debt-equity ratio; decreased from 0,2:1 to 0,1:1

% return on average capital employed (ROTCE); increased from 14,0% to 15,6%

- The company is still lowly geared / low financial risk / does not rely too much on borrowed capital.
- Positive gearing / ROTCE is greater than interest rate on loan 13%.

3.1.3

As a shareholder you are concerned about the dividend pay-out policy.

- **Calculate the dividends pay-out rate for this current year.**

The dividends pay-out rate is $32/72,5 \times 100 = 44\%$ ✓✓

- **Provide ONE reason for your concern about the current dividend pay-out policy.**

Any relevant concern ✓✓

- Dividends paid are low; was also low last year
- The company is retaining a greater portion of net profits / plans must be stated or outlined in the director's reports.
- Shareholders' investments are not being considered / need to keep shareholders satisfied / to be assured that their investment is worthwhile.

3.2 JAMESTOWN

3.2.1

Explain whether the shareholders should be satisfied with the returns on their investment or not. Quote ONE financial indicators with figures to support your opinion.

Financial indicators ✓ figures and trend ✓

Comment ✓✓ could be included with financial indicator and trends

ROSHE increased from 7,9% to 8,8%

Although lower than alternative investments, the upward trend is encouraging **OR:**
Return of 8,8% is less than interest on alternative investments.

3.2.2

Explain whether the company paid a fair price for the shares repurchased. Provide TWO financial indicators with figures in your comment.

Financial indicators ✓✓ figures ✓✓

- The price offered benefits the company as it is less than the market price of 1120 cents (by 120 cents).
- Less than the NAV of 1050 cents (by 50 cents).

3.3.1

Calculate Lee's % shareholding in Queenstown Ltd and comment on your findings.

- $900\,000 \div 1\,700\,000 = 52,9\%$ ☒ one part correct

COMMENT: ✓✓

Arthur owns more than 50% of the shares; has a controlling interest; Is the majority shareholder/ decision marker.

3.3.2

Arthur wants to maintain his % shareholding in Queenstown Ltd after the issue of additional shares. Calculate the minimum number of shares he should buy in Queenstown Ltd and the amount he would have to spend.

✓✓ ✓ ✓ One part correct

$75\,001 \times 8,30 = 622\,508,30$ or $75\,100 \times 8,30 = 623\,330$

$975\,000 - 900\,000 + 1$

Accept 75 100 shares or 51% of 1 950 000

3.3.3 Shareholding of Arthur Ngunga:

Would you advise Arthur to buy the additional shares in Queenstown Ltd or to rather invest? in Jamestown Ltd. Provide ONE point, with reason.

ONE reason ✓✓

Buy in Queenstown – remain majority status and try to make directors accountable for progress.

OR buy in Jamestown Ltd because they show an upward trend in share price; more demand for the shares

Activity 4

4.1	According to your friend, the liquidity of KhanLtd is better than that of Fezeka Ltd. Quote two financial indicators (with figures) to support her opinion.	
	Angus' Business 2.4:1 against 3.6:1 of Fezeka Ltd Khan acid test ratio 1.2:1 versus 0.6:1 of Fezeka Khan stock turnover rate 8 times versus 4 times of Fezeka Fezeka has a lot of stock with a slow turnover numbers✓✓ comparison✓✓ explanation✓✓	
4.2	Which company makes the most use of loans? Quote and explain the financial indicators to support your answer. Explain whether this is a good idea or not.	
	Angus✓ Debt: Equity of Khan against 0.6:1 of Fezeka Ltd	

	Return on Total capital is 10.1% while interest rate on loans is 11% So negative gearing. Interest more expensive than earnings			
4.3	Should Nomble be satisfied with the price at which the new shares for Fezeka Ltd. issued? Quote and explain TWO financial indicators to support your answer.			
	Market value = 655 cents per share✓ NAV = 605 cents per share✓ New shares issued at 590 cents per share✓ Value of existing shares is diluted✓			
4.4	Calculate the dividend she earned from each company.			
	20 000 x 182 cents = R36 400 Khan✓ 20,000 x 437 cents = 87,400 Fezeka✓			
	Compare and comment on the dividend pay out policies of the two companies. Explain your answer with calculations.			
	Fezeka Ltd $437713 \times 1001 = 61,3\%$ ☑ 39% is retained Khan Ltd held nothing back $182179 \times 1001 = 101,6\%$ Khan= Kept shareholders happy Fezeka = Retained money for extensions			
	Nomble has already owned the shares in the two companies for a year. Nomble asks you to help determine which of the two companies gives her the best return (dividend) per share on her investment. Should she be satisfied with the company's dividend?			
	<table><tr><td>Fezeka $437605 \times 1001 = 72\%$ Or✓ $437655 \times 1001 = 66,7\%$ Khan best return for her✓. But she should worry because future income will be lower. ✓</td><td>Khan $182225 \times 1001 = 80\%$ Or $182230 \times 1001 = 79\%$✓</td></tr></table>	Fezeka $437605 \times 1001 = 72\%$ Or✓ $437655 \times 1001 = 66,7\%$ Khan best return for her✓. But she should worry because future income will be lower. ✓	Khan $182225 \times 1001 = 80\%$ Or $182230 \times 1001 = 79\%$ ✓	
Fezeka $437605 \times 1001 = 72\%$ Or✓ $437655 \times 1001 = 66,7\%$ Khan best return for her✓. But she should worry because future income will be lower. ✓	Khan $182225 \times 1001 = 80\%$ Or $182230 \times 1001 = 79\%$ ✓			

CORPORATE GOVERNANCE

ACTIVITY 1

1.1

Comment on the audit reports of both companies. If you want to buy shares in a company, explain how the report will affect your decision concerning the shares you would purchase in the company.

Metsi Ltd: Comment on ✓
Explanation ✓

Metsi Ltd received an unqualified report which means that you can rely on the financial information in the financial statements decide on purchasing the shares.

Just Water Ltd: Comment on ✓
Explanation ✓

Just Water Ltd received a disclaimer audit report. It means that Peter cannot rely fully on the financial statements in deciding on investing in the company. In which company should you rather invest?

Metsi Ltd ✓

(5)

1.2

1.2.1	C ✓	1.2.3	D ✓
1.2.2	A ✓	1.2.4	B ✓

(4)

1.3

The purpose of a business rescue plan is to provide a company with temporary supervision and protection against its creditors, to give them a 'breathing space' to reorganise and restructure its financial affairs. Name TWO parties who might be affected by a business rescue plan.

Any 2 ✓✓ (one mark each)

Creditors, shareholders, employees, trade unions, SARS, Banks, Directors

(2)

1.4

Who is the audit report addressed to? Give a reason for your answer.

The shareholders. ✓✓ They are the owners of the company and have appointed the auditors.

(2)

1.5

Give TWO examples of audit evidence that the auditors would have required to complete the audit.

Any two – one mark each

Asset registers; Journals; Debtors' statements; Physical inspections; Signed contracts; Source documents (list e.g. invoice, receipts, etc. only one mark); Creditors' statements; Bank statements

(2)

[15]

ACTIVITY 2

2.1

Which type of audit report will discourage shareholders to buy shares in a company?

Disclaimer of opinion ✓
accept Qualified

Provide TWO reasons why shareholders will not be interested to buy shares in such a company.

Any TWO valid reasons ✓✓ ✓✓ part marks for partial / incomplete / unclear responses
Mark independent from answer in 4.1.

- Auditors not prepared to offer an opinion of the reliability of the financial statements is a clear indication of ineffective management / recording and reporting procedures and/or internal control processes.
- Poor corporate governance. Directors are not trustworthy or competent / Good ethics are not maintained over company finances.
- It gives a bad image (reputation) to the company which will have long term negative consequences such as low demand for shares, drop in share price, low customer turnover.
- Possibilities of corruption, mismanagement, investors do not want to lose their money.

2.2

Explain why a company's financial statements have to be audited by independent auditors. Provide TWO points.

Any TWO valid and different points ✓✓✓✓

An explanation must refer to or imply independent (external) auditors, to earn full marks
part marks for partial / incomplete / unclear responses

- Requirement of the Companies Act / Companies must comply with regulations and reporting requirements as stipulated in the Act / by law.

- Protect the interest of shareholders (who are separate from management) To protect shareholders from possible fraud and improprieties.
- Their report is an unbiased opinion – true reflection of the financial position of a company; they do not have a vested interest in the company.
- Gives a company credibility as it allows the potential investors to trust the accuracy / reliability of the results.
- Company managers can use the results of the audit to continually improve internal processes.

2.3 Concern over the kind of relationship between a director, Chief Financial Officer (CFO) and independent auditor.

As a shareholder, why would you be concerned by this kind of relationship? Explain THREE points (one for each person involved).	
Any THREE valid, but different points ✓✓ ✓✓ ✓✓ part marks for partial / incomplete / unclear responses Note that some points may over-lap across the different role-players. Ensure to award THREE different points.	
Director	<ul style="list-style-type: none"> • Is appointed by the shareholders to run the company in a professional manner, being open and objective. • Socialising with key stakeholders may create a bad impression of improper conduct, collusion or under-handed dealings. Money laundering, nepotism and fraud is possible. • May compromise good ethical governance such as transparency, responsibility and accountability. • It will be difficult to explain that social life is kept separate from business.
Chief Financial Officer	<ul style="list-style-type: none"> • Intentions may be questionable, as he/she is responsible for managing the company finances. • Concerns about possibility of mismanagement of company funds, corruption, deliberate false or misleading reporting. • Might not have the best interest of the company at heart / might affect smooth running of the company. • Temptations to use company funds is possible.
Independent Auditor	<ul style="list-style-type: none"> • Independence, unbiased reporting may be a concern / may not abide by the Companies Act, or know of loopholes to manipulate provisions. • Is this person not compromising the reputation of the audit firm, the professional body or his code of professional conduct ? • Public image of independent auditors is maybe affected, which could have negative consequences for the company.

[15}

ACTIVITY 3

3.1.1	B ✓
3.1.2	D ✓
3.1.3	A ✓
3.1.4	C ✓
3.1.5	F ✓

[5]

3.2 AFRICAN LTD.

3.2.1 Governance

What do you understand by the concept “basic governance”?

- Any valid comment ☐✓ part marks for incomplete / partial / unclear responses
- Managing the business on sound business and ethical principles.
- Looking after the interest of all role players / stakeholders (including the community) by being fair, equitable, transparent.
- Ensure that the company has proper rules, policies, and practices to create long term shareholder value, and are implementing them.

[2]

3.2.1 Directorship:

Provide TWO points why did the High Court labelled Thokozile as a delinquent director?

Any two valid points ✓ could be verbatim from scenario

- She was found guilty of serious misconduct, dishonesty, obstruction, and interference, improperly inserting middleman and governance failures.
- She broke the law and flouted the basic governance.
- She deliberately blocked, delayed, and obstructed important initiatives to turn the company around.

Any other valid point related to the information provided.

[2]

3.2. Concerns of shareholders:

This is a very open-ended question; be alert to any other valid responses. Be alert to questions making the same point, stated differently.³

Any two valid questions ✓✓ ✓✓ Part marks for incomplete/ unclear/ partial responses Excellent = 2 marks Good = 1 mark		Any two valid reasons ✓ ✓ Reasons to be appropriate to the questions. The same reason could apply to more than one question/ could be verbatim from scenario.
Questions you would raise with Directors		One reason for each question
QUESTION	Why did the board not take immediate action when misconduct occurred?	Misconduct of a director negatively impact on the company.
QUESTION	Why has the board not implemented disciplinary action over the director?	The board should have taken prompt action to prevent further problems.
QUESTION	How was the director solely involved in losses of up to R16,8 billion? / Was the director acting alone?	There should be internal control measures in place to prevent so much power to one director.
QUESTION	Why were such important roles allocated to only one director.	Separation of duties should be in place to avoid abuse of power.
QUESTION	Why was an unethical director appointed? / Did the director have appropriate qualifications and skills for the position? / How are the vacant directors' post going to be filled?	The company should have transparent vetting processes in place prior to appointing directors. / The shareholders should be involved in the hiring of directors.
QUESTION	Does the director have knowledge of basic corporate governance and ethics?	A code of conduct underlining the King Code principles should be in place and followed by all stakeholders.
QUESTION	Where will the funds come from to cover the R 16, 8 billion losses?	Transparency required by King Code in all processes. Profits or retained income could be negatively affected.
QUESTION	How has the financial stability of the company been affected by this incident?	The losses made due to the misconduct, as well as the bad publicity can affect the company's sustainability.
QUESTION	How will a situation like this be avoided in future? / What control measures does the Risk committee have in place?	Transparency/ accountability/ improving controls.
	Accept any other valid questions	Accept reasons that correspond to the questions

[6]

ACTIVITY 4

4.1	The board of directors have different committees with different functions. Choose the function in COLUMN B that matches the committee in COLUMN A. Write only the letter (A–D) next to the question numbers (4.1.1 to 4.1.4) in the ANSWER BOOK.								
<table border="1"> <tr> <td>4.1.1</td><td>D ✓</td></tr> <tr> <td>4.1.2</td><td>C ✓</td></tr> <tr> <td>4.1.3</td><td>A ✓</td></tr> <tr> <td>4.1.4</td><td>B ✓</td></tr> </table>		4.1.1	D ✓	4.1.2	C ✓	4.1.3	A ✓	4.1.4	B ✓
4.1.1	D ✓								
4.1.2	C ✓								
4.1.3	A ✓								
4.1.4	B ✓								

4.2	Who is the audit report addressed to? Give a reason for your answer.
<p>The shareholders. ✓</p> <p>They are the owners of the company and have appointed the auditors. ✓</p>	

4.3	The independent auditor's report of Thyme Ltd.
-----	---

4.3.1	Identify the type of audit report issued by the auditor. Provide ONE reason for your answer.
<p>Unqualified report ✓</p> <p>ONE valid point ✓ ✓ part marks for partial / incomplete / unclear responses</p> <p>The auditors did not find any problems with information on the financial statements / they "present fairly" the financial position of the company / it is a clean (good) report "in all material respects".</p>	

4.3.2	Explain the impact of such a report on the image of the company. State ONE point.
<p>ONE valid point ✓ ✓ part marks for partial / incomplete / unclear responses</p> <ul style="list-style-type: none"> • This will impact positively on the share price / demand for shares • Potential investors would be interested to buy shares • Directors appointed are reliable; shareholders are confident in their ability to continue good governance. • Employees and other role players would recognise that good internal controls are employed and continue to maintain this. 	

4.4	Showmaster Ltd received one of the tenders to build houses worth R12 million in the Giyani community. The Chief Financial Officer (CFO) of Showmaster Ltd offers to pay 10% of the amount in cash to the Chief
-----	---

	<p>Executive Officer (CEO) of the housing project if awarded the tender. The CFO wants to disclose this as corporate social responsibility. Mention possible implications for the CEO of the housing project, should he accepts this offer. Explain TWO points.</p>
<p>TWO valid and different points ✓ ✓ ✓ ✓</p> <p>part marks for incomplete / partial answers</p> <p>Be aware of alternative valid responses</p> <ul style="list-style-type: none"> • Face a disciplinary hearing for engaging in unethical transaction • Can be criminally charged for accepting a bribe. • Lose his position as director – seen as unreliable / untrustworthy • Compromise his integrity as CEO / lose trust of the shareholders 	

RECONCILIATION

ACTIVITY 1

1.1 BANK RECONCILIATION

1.1.1 Calculate the correct bank account balance on 30 JUNE 2024.

WORKINGS	ANSWER								
one mark one mark; both figures must be entered in CRJ & CPJ (5 480 – 4 580) 9 050 – 5 000 ✓✓ + 900 ✓✓ – 310 ✓ – 1 780 ✓ + 1 060 ✓ CRJ CPJ OR 9 050 + (900 + 1 060) – (5 000 + 310 + 1 780) 1 960 three marks 7 090 four marks OR Bank Account format <table border="1"><tr><td>9 050</td><td>5 000</td></tr><tr><td>900</td><td>310</td></tr><tr><td>1 060</td><td>1 780</td></tr><tr><td>Bal c/d 3 920</td><td></td></tr></table>	9 050	5 000	900	310	1 060	1 780	Bal c/d 3 920		3 920 (✓) one part correct ignore sign Inspect whether DR or CR for Recon (1.1.2)
9 050	5 000								
900	310								
1 060	1 780								
Bal c/d 3 920									
Be alert to alternative presentations for calculations									

1.1.2

Bank Reconciliation Statement on 30 JUNE 2024

	Debit	Credit
Balance as per bank statement Do not accept R1 550 & R4 170		21 520 (✓)* Could be Dr
Outstanding deposit		17 500✓
Error on the statement	25 000✓	
Outstanding EFT No. 819	11 880✓	
Error on the statement		1 780✓
Balance as per bank account Do not accept R4 170 & R1 550	3 920 (✓)# See 1.1.1 Could be Cr	
	40 800	40 800

* balancing figure # check 1.1.1 to assess if candidate has calculated a favourable or overdraft balance

1.1.3

Explain TWO important instructions that Saul should give to Donna to ensure that corruption does not occur with regards to the processing of EFTs

Any **TWO** control measures ✓✓✓✓ part marks for incomplete or unclear response

Be alert to other valid answers

- Before processing EFTs, Donna must check that the bank details and amounts due are correct by referring to appropriate documents and records of service providers / Bank confirmation letter to verify bank details.
- She must monitor the bank transaction records continuously provided on the business electronic statement.
- She must protect all the passwords and codes that are necessary for using the online application and computer system.
- Authorisation by supervisor: She must report daily to her supervisor (or Saul) on the daily transactions (especially for suspicious transactions).
- One Time Pin (OTP) must be authorised by the supervisor (or Saul) for processing all EFTs or for certain transactions or payments over a specific amount / only assigned individuals are allowed to initiate, authorise and reconcile EFTs.
- Set daily limits on the banking app which can be altered by user if necessary.
- Regular check of all notifications on banking app to verify movements of cash. ☐ She must review and cross-reference banking app messages with the corresponding documents to confirm if payments requests are legitimate.
- If an EFT is received e.g. ☐ If payer notifies business that payment has been made, then Donna must check to the electronic bank statement before recording the receipt.

1.2 EXTRACT: LIST OF DEBTORS

DEBTORS	WORKINGS	BALANCE
A Andrews	27 750 – 9 000 ✓	18 750 ✓
B Bentley	(400) + 9 000 ✓	8 600 ✓
C Cook	one mark one mark 3 000 + 3 000 (2 400 x 25/75) OR (3 200 – 2 400) 19 300 + 6 000 ✓✓ – 800 ✓(✓) Do not mark R3 000 in the 2nd adjustment	24 500 (✓)* *one part correct
D Dolly	Both figures required 2 900 – 6 390 ✓✓ (or – 7 100 + 710)	(3 490) (✓) *operation

ACTIVITY 2

2.1

2.1.1	True✓
2.1.2	True✓
2.1.3	False✓

2.2 VIOLET STORES

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			237 000 Must include 217 800

2.2.2

Calculate the correct Bank Account balance on 30 April 2023.								
WORKINGS		ANSWER						
49 720 ✓ + 143 200(✓) – 237 000 (✓) OR 49 720 one mark – 93 800 two marks OR 237 000 – 49 720 – 143 200 (signs reversed)	<table><tr><td>49 720</td><td>237 000</td></tr><tr><td>143 200</td><td></td></tr><tr><td>c/d 44 080</td><td></td></tr></table>	49 720	237 000	143 200		c/d 44 080		(44 080) (✓) one part correct ignore sign *Inspect whether DR or CR for Recon (1.2.3)
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.								

2.2.3

BANK RECONCILIATION STATEMENT ON 30 APRIL 2023		
	Debit	Credit
Balance per Bank Statement Do not accept 12 200 or 49 720 as balancing figure		20 110 (✓) could be DR
Outstanding deposit		22 500 ✓
Outstanding EFTs: No 883	9 520 ✓	
No 884	12 520 ✓	
Error on the statement	65 000 ✓✓	
Correction of error		360 ✓✓
Balance as per Bank Account		44 080 (✓)
	87 050	87 050

2.2.4

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.

TOTAL MARKS: 30

ACTIVITY 3

3.1 BANK RECONCILIATION

3.1.1 CASH JOURNALS

CASH RECEIPTS JOURNAL		CASH PAYMENTS JOURNAL	
Details	Amount	Details	Amount
Total	R 510 600	Total	R484 450
Interest	145 ✓	Bank charges	1 425 ✓
Rent Income	6 250✓	Insurance	1 850 ✓
		EFT no. 613	900 ✓✓
		Cancel deposit	15 000 ✓
		Car battery	2 700 ✓
	516 995(✓)		506 325

3.1.2

Calculate the correct bank balance in the ledger on 31 July 2023.						
WORKINGS		ANSWER				
<p>(+ 10 670 two method marks)</p> <p>25 700✓ + 516 996(✓) – 506 325(✓)</p> <table><tr><td>25 700</td><td>506 325</td></tr><tr><td>516 995</td><td>c/d36 370</td></tr></table>		25 700	506 325	516 995	c/d36 370	<p>36 370 (✓)</p> <p>one part correct</p>
25 700	506 325					
516 995	c/d36 370					

3.1.3

Bank Reconciliation Statement on 31 July 2023		
	Debit	Credit
Balance per Bank Statement		R 31 615(✓)(✓)
Credit outstanding deposit		10 000 ✓
Debit outstanding EFT's:		
NO 652	5 650 ✓	
NO 655	1 445 ✓	
Credit amount wrongly debited		1 850 ✓
Balance as per Bank Account	36 370 (✓) Could be CR	
	43 465 (✓)	43 465

3.1.4

Explain TWO concerns the owner should mention to the bookkeeper relating to the internal control over cash resources. Quote figures. In each case, explain a strategy to prevent such problems in future.	
Concern with evidence Problem ✓ ✓ Figure ✓ ✓	Strategy Specific advice based on evidence ✓ ✓
R15 000 missing/stolen	Division of duties: the person writing up the transaction should not make the deposits. / Check that the total of cash slips agree with the total of the deposit slip.
Rolling of cash, R12 600 on 10th of June, only deposited in July Deposits not done regularly (routine)	Create a policy for regular, daily depositing. / Internal auditor must check that the cashier is depositing cash daily. / Appoint a different person to do the depositing

3.2

3.2.1 CREDITORS RECONCILIATION

Indicate the changes that must be made in the Creditors' Control Account and Creditors' List to take into account the errors and omissions noted.

Indicate an increase with a (+) or decrease with a (-) next to each amount.

	Creditors' Control	Creditors' List
Provisional balance/total	R 70 650	R32 600
(i)		+ 900 ✓
(ii)	+ 3 720 ✓	+ 3 720 ✓
(iii)		- 4 500 ✓✓
(iv)	- 32 800 ✓✓	
(v)		+ 8 850 ✓
	41 570 (✓)	41 570
	Both totals	

3.2.2

The owner of Titus Stores is not satisfied with the service and quality of goods ordered from creditor Spring Ltd. Explain TWO factors that he must consider before changing to another supplier.

Any TWO valid points ✓✓ ✓✓

- Arrangement a meeting to discuss dissatisfaction / re-emphasise terms and conditions / raise concerns about products / about customer- satisfaction.
- Renegotiate terms offered by the suppliers /
- Ability to meet the demands of the business by the supplier
- The quality of the products they are selling

TOTAL MARKS: 40

ACTIVITY4

4.1 CREDITORS RECONCILIATION

	CREDITORS' LEDGER ACCOUNT	STATEMENT OF ACCOUNT
Balance b/f	52 900	108 800
(i)	– 1 800 ✓✓	
(ii)		– 1 600 ✓✓
(iii)	+ 600 ✓	
(iv)	– 860 ✓✓	
(v)		– 54 820 ✓
(vi)	+ 1 540 ✓	
	52 380	(✓) 52 380

4.2 BANK RECONCILIATION

4.2.1

CASH RECEIPTS	CASH PAYMENTS
76 270	88 625
500 ✓✓	2 100 ✓✓
4 600 ✓	235 ✓
7 030 ✓	1 140 ✓
88 400	92 100

Bank Account balance: $8\,800\checkmark + 88\,400(\checkmark) - 92\,100(\checkmark) = 5\,100(\checkmark)$ one part correct
see cash receipts see cash payments

4.2.2

BANK RECONCILIATION STATEMENT ON 31 MAY 2023		
	DEBIT	CREDIT
Balance as per statement balancing figure; could be Dr		4 800 ✓
Outstanding deposits: 19 May		11 400 ✓
26 May		10 800 ✓
Outstanding EFT No. 658	6 900 ✓	
Error on statement / incorrect deposit	15 000 ✓	
Balance as per bank account	5 100(✓) see 4.2.1	
For both totals; must be same amount	27 000	(✓) 27 000

4.2.3

Provide ONE suggestion on how the problem of counterfeit (fake) notes can be prevented.

ONE valid point ✓✓ part marks for incomplete / unclear responses

- Install a scanning machine at each till (infra-red light)
- Train cashiers to inspect all notes using the scanner
- Encourage card payments at the till
- Encourage EFT payment of accounts
- Start an online sales division to minimise cash-handling

4.2.4

Donald was concerned about the outstanding deposits. Provide TWO internal control measures that he can implement to address this concern.

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

- Implement a system of regular depositing (routine)
- Place a supervisor in charge or use a cash-in-transit company to assist
- Division of duties – the person collecting and receipting cash is not the same person doing depositing
- Use the banking application to check regularly / SMS notification of all transaction with the bank.

TOTAL MARKS: 35

Activity 5

DEBTORS' AND CREDITORS' RECONCILIATION				
	Debtors		Creditors	
Item	Debtor's Control	Debtor's List	Creditor's Control	Creditors' List
Balances/ Total	36 100	36 730	47 550	46 020
1				+ 2 950 ✓
2	+ 4 500 ✓	+ 4 500 <input type="checkbox"/> ✓		
3				±400 ✓ Or 0
4	+ 230 ✓	+ 230 <input type="checkbox"/> <input type="checkbox"/> Same figure		
5	- 50 ✓	- 680 ✓		
6	- 980 ✓	- 980 ✓	+ 980 ✓	
7				-220 ✓ -220 ✓ or -440 Two Marks
	38 900 ✓	38 900	48 530 ✓	48 530

Method mark for totals if both totals provided and total above is included. Need not be the same. -1 Foreign if figures appear in other columns, max -2).

5.2

5.2.1 BANK RECONCILIATION

CASH RECEIPTS JOURNAL			CASH PAYMENTS JOURNAL	
Total	389 504		Total	287 000
	✓✓ 1 800			✓ 31 210
	✓ 31 100			✓ 391
	✓ 2 970			✓ 28 115
	✓4 800			
	✓✓(2 910 x 2) 5 820			
	435 994		<input type="checkbox"/> <input type="checkbox"/>	346 716

Both totals must include provisional totals

Calculate the correct Bank balance in the ledger on the 31 August 2023.

WORKINGS	ANSWER
146 800 ✓ + 435 994 (✓) - 346 716 (✓)	236 078 (✓) □

5.2.3

Prepare the Bank Reconciliation Statement on 31 August 2023:

	DEBIT	CREDIT
Credit balance as per Bank Statement		✓ 222 405
Credit outstanding Deposit		✓ 16 878
Credit outstanding Deposit		✓ 2 910
Credit bank error		✓ 1 025
Debit outstanding EFT	✓ 7 140	
Debit balance as per Bank Account	✓ 236 078	
Should be the same (✓)	243 218	243 218

5.2.4

An investigation revealed that the deposit of R31 210, dated 9 July 2023, did not appear in the July and August Bank Statements. This was in respect of cash received, that Joubert never deposited. You advised the owner to write off this amount.

State the GAAP principle that applies to this decision:

Principle of Prudence ✓

Explain TWO procedures, besides division of duties, to be implemented to prevent such a loss in future.

Any TWO valid point ✓ ✓

Do not accept division of duties as an answer

- Consider cash in transit.
- Regular and timely supervision/monitor cash.
- Cash must be deposited daily (check deposit slip against receipts).
- Encourage EFT payments by customers/debtors.
- Request the bank to send confirmation of all transactions (e.g. sms).

TOTAL MARKS: 40

ACTIVITY 6

6.1 DEBTORS AGE ANALYSIS

Explain why the Debtors' control account balance should agree with the Debtors' List total.

Any acceptable point ✓✓□ **part marks for incomplete/unclear responses**

- Debtors' control account is a summary of all transactions concerning all transactions with debtors (from journals totals), and the debtors' list is a summary (total) of the same transactions allocated to the separate/individual debtors accounts (posted from the same journals).
- It is the same information presented in different ledgers (general and subsidiary)
- Prepared from the same set of source documents.

Explain TWO processes the bookkeeper should follow if he discovers a difference between the Debtors' control account balance and the Debtors' List total.

Any TWO acceptable points ✓✓ ✓✓ **part marks for incomplete/unclear responses**

- Control with the original source documents.
- Check postings from journals to the ledgers.
- Check the entries in the journals.
- Check the correctness of casting/totalling of journals.

6.1.2

Identify THREE internal control problems concerning the debtor Thandi Moi. Quote figures for each problem.

Any THREE problems ✓ ✓ ✓ **figures** ✓✓✓

- Not sticking to terms. 60 days (R11 330) and 90 days (R16 680), debts older than 60 days are not paid.
- No (nil) interest charged on balances 90 days overdue.
- Discount allowed was calculated at 10%, must be at 5%.
- Thandi's account should have been blocked/frozen from any purchases (Inv. 576 for R15 620) until the payment amount is in arrears over 90 days.

6.2

6.2.1

Explain THREE different problems highlighted by the debtors' age analysis. Provide the name of a debtor and/or figure(s) in EACH case.	
PROBLEM (one mark per problem)	NAME OF DEBTOR AND FIGURES Accept "other debtors" if figures are provided Accept name of debtor Figures included with the problem
Not adhering to credit terms / slow payers ✓	<ul style="list-style-type: none"> Joy; R20 000 > 30 days Divine; R4 000 > 90 days Other debtors: 42 864 > 60 days 28% of debtors do not comply with terms (66 864 / 238 800) ✓
Exceeding credit limits ✓	Monica: Exceeds credit limit by R7 000 (limit R22 000; balance R29 000) ✓
Poor / ineffective internal controls over debtors (Allowing defaulting debtors to buy on credit / exceed credit limits set) ✓	<ul style="list-style-type: none"> Divine: current purchase of R2 000 whilst R4 000 of balance > 90 days Joy: current purchase of R18 000 whilst R20 000 of balance > 60 days Other debtors with current purchases of R55 244 whilst R30 148 of balance is > 60 days and R12 716 > 90 days ✓

6.2.2

Provide TWO points to support the internal auditor's concern that Nandi's job description could lead to potential fraud

Any TWO separate or different points ✓✓ ✓✓ part marks for incomplete / partial / unclear responses

- Too many related functions performed by one person - could compromise efficiency / job not done well.
- Lack of supervision could lead to negligence / rolling over of cash / theft / no authorisation for returns / not applying returns policy effectively.
- No division of duties – temptation to engage in fraudulent transactions / manipulating sales or returns / creating false documents / mismanagement / poor record-keeping (stock sheets / debtors)
- No continuity of tasks / tasks may not get done / lag behind if Susan is on leave / absent.
- Cash is easily stolen (not using electronic payments / credit cards / EFT)

TOTAL MARKS: 22

INVENTORY VALUATION

1.1 Calculate the following for the year ended 30 June 2022:

1.1.1 Value of the closing stock using the weighted average method

Weighted average:

$$\begin{aligned} & \frac{3639\,500}{3\,260\,500 + 120 \times 1500} \\ & \frac{559\,000 + 3\,245\,000 + 15\,500 - 180\,000}{(430 + 2\,200 - 120) \text{ units}} \\ & = \frac{3\,639\,500}{2\,510 \text{ units}} \\ & = \text{R}1\,450 \quad \text{one part correct average price} \\ & = \text{Closing stock: } 210 \times 1\,450 = \text{R}304\,500 \quad 210 \times \text{average price} \end{aligned}$$

11

1.1.2 Stock turnover rate (Use the average stock)

$$\begin{aligned} & \frac{2\,300 \times 1450}{\frac{1}{2} (559\,000 + 304\,500)} \\ & = \frac{3\,335\,000}{431\,750} \\ & = 7.72 \text{ times} \end{aligned}$$

OR

$$\begin{aligned} & \frac{3\,639\,500 - 304\,500}{\frac{1}{2} (559\,000 + 304\,500)} \\ & = \frac{3\,335\,000}{431\,750} \quad (\text{See 3.1.1}) \\ & = 7.72 \text{ times} \end{aligned}$$

5

1.2 Stock of sneakers

1.2.1 Provide a calculation to indicate whether theft of stock is a problem in the business.

$$430 + 2\,080 - 210 - 2\,230 = 70$$

OR

$$430 \text{ One mark} + 2\,200 - 120 \text{ One mark} - 2\,230 \text{ One mark} = 280 - 210 \text{ One mark} = 70 \text{ One mark}$$

5

1.2.2 Provide ONE suggestion to the owner to improve control over stock. (Any ONE valid suggestion) ✓✓

Regular stock counts and comparison with records
Division of duties, person ordering is not same person recording transactions in the accounting records
Proper safeguarding of stock while in storage
Electronic devices attached to sneakers
Well trained staff to be alert for shoplifting
Security guards at exit points
Limited access to the storeroom.

2

1.3 PROBLEM SOLVING

1.3.1 Comment on the price adjustment policy in shops B and C. Provide figures.

Mpho **decreased** his prices with 10% and his **sales is the highest**. ✓
 Dalson **increased** his prices with 5% and she had the **lowest sales**. ✓
 It is a good policy to allow managers to give discount, but they should not be allowed to increase prices. ✓

3

1.3.2 Identify ONE problem (with figures) with regard to each branch with a possible solution.

	Identify a problem ✓ ✓ ✓ with figures ✓ ✓ ✓	Possible solution ✓ ✓ ✓
Shop A	120 days' stock on hand. Pay creditors too soon, 30 days.	Keep less stock. Pay creditors later.
Shop B	Gross profit margin is 10% lower. No credit sales. Pay creditors in 60 days.	Sell on credit. Pay creditors later.
Shop C	Sales are the lowest at R247 500 Too much credit Bad debts very high	Lower the mark-up to 60% Improve credit control / Stricter criteria for admission of debtors.

9

35

one or three marks
& one method mark
403 000 & +403 000 = 0

one mark one mark one mark one mark

one mark

[9]

2.2

MANAGEMENT OF INVENTORIES

2.2.1

**What decision did Kyle take regarding the selling price of the desks?
Provide figures.**

- Decision ✓ Figures ✓
- He increased the mark-up from 60% to 80%.
 - He increased the selling price from R1 920 to R2 520 / by R600 / by 31%.

(2)

**How has this decision affected the business? State TWO points.
Provide figures.**

Any two valid points ✓ ✓ Figure ✓ ✓

- Gross profit increased from R259 200 to R336 000 / by R76 800 / by 29,6%.
- Stock turnover rate decreased from 7,2 to 6,0 times.
- Orders of desks decreased to 300 units / by 70 units / by 19%.
- Sales of desks decreased to 300 units / by 65 units / by 18%.

(4)

2.2.2

Was it a good idea for Kyle to change to a cheaper supplier of chairs?

YES/NO: No ✓

Explain TWO points. Provide figures.

Any two valid points ✓✓ Figure ✓✓

- The gross profit decreased from R148 920 to R95 200 / by R53 720 / by 36%.
- The returns increased from 0 to 90 units / the customers are not satisfied with the quality of the product / Resulted in lower net sales 680 compared to 730.
- The cheaper price of R490 did not affect the stock turnover rate which remained constant at 4,0 / chairs did not appear to be popular with customers.

(5)

2.2.3

Based on the information given, provide TWO separate suggestions to Kyle to improve the profit on printers in 2021.

One valid point for pricing ✓ Figure ✓ One valid point for orders ✓ Figure ✓

Suggestion 1 (with figures):

- Kyle should increase the price; Any figure between R975 and R1 200 **OR**
- Kyle should increase MU%; Figures: Any % between 25% and 70%.

Suggestion 2 (with figures):

- Kyle must plan purchase of printers / must follow up on orders to meet the demand of 925 units (i.e. 200 more than current sales) **OR**
- Kyle must maintain / improve stock turnover rate of 11,8 times

Responses for one mark only:

Find a cheaper supplier / Request deposits from customers / Payment in advance / Follow up on orders from customers / Negotiate a trade discount on purchases.

ACTIVITY 3

STOCK VALUATION

3.1

3.1.1	First-in-first-out <input type="checkbox"/> (FIFO)
3.1.2	Perpetual <input type="checkbox"/>
3.1.3	Specific identification <input type="checkbox"/> (SIM)
3.1.4	Weighted average <input type="checkbox"/> (WAM)

4

3.2.1

Calculate the following on 28 February 2023:

Value of closing stock (using weighted average)	
WORKINGS	ANSWER
<p>448 350 four marks</p> $\frac{71\,040 + 362\,500 - 6\,150 + 20\,960}{(480 + 2\,000 - 30)} \times 360$ <p>(480 + 2 000 – 30) one part correct</p> <p>2 450 two marks</p> <p>WA: 183 (six marks)</p> <p>Mark numerator and denominator as such</p>	<p>65 880 <input type="checkbox"/></p> <p>one part correct;</p> <p>Must be x 360</p>
Number of units missing	
WORKINGS	ANSWER
<p>(480 + 2 000 – 30) one mark</p> <p>2 450 <input type="checkbox"/></p> <p>See units in above calculation</p> <p>– 2 050 <input type="checkbox"/> – 360 <input type="checkbox"/></p>	<p>40 units <input type="checkbox"/></p> <p>one part correct</p>

7

4

3.2.2

Explain TWO strategies that Lyon could use to address the problem of **customers** stealing items.

Any TWO internal control measures ☐ ☐ accept short statements

- Instal cameras (CCTV security system)
- Tracking devices on products
- Physical security at the exit points
- Provide lockers for customers to keep other items before entering the shop.

2

3.2.3

The average stockholding period is 73,7 days. Explain whether Lyon should be concerned about this. Provide ONE point.

Any ONE internal control measures ☐☐ be alert to valid responses for or against.

Options for not being concerned:

Durable product / can be easily sold in the future / has a long shelf-life / always in demand to certain customers / does not take lot of storage space.

Options for being concerned:

Money is tied up in stock / takes up valuable storage space that can be used for other stock items / slow sales results in slow inflow of cash / the items may become less-fashionable in future.

2

3.2.4

Calculate the cost of sales on laptop bags.

WORKINGS

Note: SI and WA would generate the same answer, as the goods were purchased at one price during the financial year.

76 160 two marks 202 400 two marks

$(112 \checkmark \times R680 \checkmark) + (220 \checkmark \times R920 \checkmark)$

If the learner decided to find value of closing stock (as in WA):

Purchases – closing stock: **Komfi:** 136 000 – 59 840 **Coma:**

276 000 – 73 600

76 160 202 400

If learner calculated mark-up %: **Komfi:** $133\,280 \times 100/175$

Coma: $303\,600 \times 100/150$

76 160 202 400

ANSWER

278 560 ☐
one part correct

3.2.5

**Lyon was confused as to why the Coma bag sales are better than Komfi.
Provide TWO possible reasons.**

Any TWO valid reasons ☐☐ ☐☐ part marks for incomplete / unclear responses

- It is possible that the Coma is more attractive / better value for money.
- More reliable / better quality / longer lasting
- The product appeals to a select clientele / more popular / status symbol
- Coma may be more versatile (more space/pockets) and therefore a more popular choice.

* learners may focus on the negative aspects of Komfi

[4]

ACTIVITY 4

4.1 .1 CASES FOR PLACES

Calculate the value of closing stock on 29 February 2020.

$$\begin{array}{r}
 823\,410 \text{ six marks} \\
 815\,170 \text{ three marks} \\
 789\,130 \text{ two marks} \\
 (2\,584 \times 20) \\
 25\,640 \checkmark + 763\,490 \checkmark + 51\,680 \checkmark \checkmark - 17\,400 \checkmark \checkmark \\
 \hline
 2\,614 \checkmark \checkmark \\
 (90 + 2\,584 - 60) \\
 746\,090 \text{ three marks} \\
 (60 \times 290) \\
 \hline
 25\,640 \checkmark + 763\,490 \checkmark + 51\,680 \checkmark \checkmark - 17\,400 \checkmark \checkmark \\
 \hline
 2\,614 \checkmark \checkmark \\
 (90 + 2\,584 - 60) \\
 823\,410 \text{ six marks} \\
 2\,614 \text{ two marks} \\
 \hline
 \text{Eight marks} \quad \text{One mark} \\
 = 315 \quad \times \quad 194 \\
 = 61\,110 \checkmark \text{ one part correct; must be multiplied by units}
 \end{array}$$

10

4.2 FIT & SLIM

Identify ONE different problem in respect of the manner in which each product is managed. Quote figures to support your answer. In each case offer practical advice.

	Problem ✓ ✓ ✓ figures ✓ ✓ ✓	Possible solution ✓ ✓ ✓ One per item
Gym Towels	$120 + 5\,600 - 4\,800 = 920 - 810 = 110$ missing OR Loss of sales = R4 950	<ul style="list-style-type: none"> Internal control measures to safeguard the stock e.g. Security tags, display close to paying point, physical stock-taking on a continuous basis
Golf caps	$840 \times R125 = R105\,000$ $R100\,000 - R105\,000 = R5\,000$ cash missing	<ul style="list-style-type: none"> Investigate and apply disciplinary measures. Check at exit that the payment for the caps appears on the receipt/invoice. Check money before banking. Division of duties Hire a security company to transport cash to the bank.
T-shirts	Too much stock on hand, 215 days	<ul style="list-style-type: none"> Revisit sales policy and implement measures to encourage sales, e.g. promotions/advertising. Discontinue selling T-shirts since sales are low. Purchase these goods according to order.

9

MARKS

33

Activity 5 Marking Guideline

5.1 INVENTORY VALUATION

5.1.1	Calculate the following for TURBO AA 6-pack units: The value of the closing stock on 31 August 2023.
$ \begin{array}{rcl} 5\,000 \times R23.50 & = & 117\,500 \quad \checkmark \\ 7\,000 \times R23 & = & 161\,000 \quad \checkmark \square \square \square \text{ one part correct} \\ \underline{1\,500 \times R22.50} & = & \underline{33\,750} \quad \checkmark \square \text{ one part correct} \\ 13\,500 & & 312\,250 \quad \checkmark \text{ one part correct} \end{array} $	

6

5.1.2	Calculate the average stock-holding period. Note that the cost of sales amounted to R483 750 for the year ended 31 August 2023.
$ \begin{array}{rcl} 352\,250 \text{ Two marks} & 176\,125 \text{ Three marks} & \\ \underline{\frac{1}{2} \checkmark (40\,000 \checkmark + 312\,250 \checkmark)} & \underline{365} & \\ 483\,750 \checkmark & \times 1 & \\ = 132,9 \text{ (133) days } \checkmark \text{ operation one part correct} & \text{OR 4,4 months} & \\ \text{Comment on your findings above: } \checkmark & & \\ \text{Too much cash tied up in stock, can lead to cash flow problems.} & & \\ \text{Possible stock losses in future, since batteries have a limited shelf life.} & & \end{array} $	

6

The value of the closing stock.

The cost of sales of the SUPERCHARGE AA 6-pack units.

(28 000 + 120 200) both for one mark
 $148\,200 \checkmark - 72\,150 \checkmark = 76\,050 \checkmark$ operation one part correct

3

5.1.4 Give TWO reasons why the owner must discontinue the sales of SUPERCHARGE AA 6-pack units.

Any TWO reasons $\checkmark \checkmark$ $\checkmark \checkmark$ part marks for incomplete / unclear responses

The Supercharge batteries are more expensive in comparison with the Turbo, customers prefer cheaper batteries even if the quality is not the same.

Sales far too low 1 950 compared to 23 500.

4

Possible stock losses in future, since batteries have a limited shelf life.

FIXED ASSETS

MARKING GUIDELINES

ACTIVITY 1: MANAGEMENT OF FIXED ASSETS

(25 marks; 20 minutes)

1.1

(i) The purchase price of the Mahindra Truck	
WORKINGS	ANSWER
144 000 + 176 000 = Or 240 000 + 80 000 =	320 000✓ □

2

(ii) The rate of depreciation	
WORKINGS	ANSWER
0,3 two marks (96 000✓ / 320 000) x 100 See (i)	30%□ one part correct % sign not necessary

3

(iii) Determine/Calculate the date of purchase.	
WORKINGS	ANSWER
0,5 three marks 48 000 two marks (144 000✓ – 96 000✓) / 96 000 ✓) x 12 months✓ = 6 months, therefore Alternative: 144 000 – 96 000 = 48 000 / 96 000	1 September 2020 □ one part correct Accept 31 Aug

= 0,5 or (½) x 12 = 6 months.	
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(5)

(iv) Depreciation for the year ended 29 February 2024	
WORKINGS	ANSWER
$320\,000 \times 30\% \times 12/12 = 96\,000$ 80 000 carrying value < 96 000 therefore 80 000 must be used $80\,000 - 1 = 79\,999$	79 999 ✓ <input type="checkbox"/> any part correct

(2)

(v) Accumulated depreciation on 29 February 2024	
WORKINGS	ANSWER
240 000 + 79 999	319 999 ✓ <input type="checkbox"/> one-part correct A calculation must be shown in order to award the method mark. Full marks if 240 000 + figure in (iv)

(2)

(vi) Book/Carrying value on 29 February 2024	
WORKINGS	ANSWER

The book value must be R1 when the vehicle has been fully depreciated (from iii). The learner may not show a calculation here.

320 000 (see i) – 319 999 (see v)

R1 ✓ ☐

Note: If learner used figures in (i)and(v) full marks must be awarded, check operation

(2)

1.2

Peter van Wyk wants to know why it is important to have an asset register for the business. Give ONE reason.

one valid point ✓

- Give information of all assets and all the movement of assets.
- Physical assets can be checked against the asset register.
- Internal control measure.

(1)

1.3

Comment on the use and condition of the Mahindra Truck and how the business should manage this vehicle and why.

One valid point ✓✓ part mark for partial correct answer

- The Kia truck is old / it has a carrying value of R1/ High mileage 232 372 km.
- According to the rate of depreciation, the truck should last just over three years (30% p.a. on cost). The truck is already 3,5 years old.
- 3,5 years old. Needs to be replaced.
- The condition of the truck is not good as it is very old and will start to cost the business additional repairs and maintenance.
- For a transportation business, the owner wants a reliable vehicle that will be productive and cost effective.

(2)

1.4

Peter is concerned about the use of vehicles in the business. A number of vehicles have excess mileage and are in poor condition. The fuel expense is very high in Peter's opinion. Explain THREE internal control measures to manage the business' vehicles more efficiently.

Internal control measure✓✓ ✓ Explanation✓✓✓

Be aware that internal control and explanation can be given in one sentence.

- Tracker – the tracker can be used to monitor the vehicles travel and determine the shortest routes to save fuel and ensure drivers use the predetermined routes.
- Logbook – the logbook can be used to sign vehicles in and out and track who has used the vehicle and for what purpose.
- Petrol card – a petrol card can be used to limit the amount of fuel used per month and helps to monitor fuel usage.
- Lock away vehicles (controlled access) – vehicles should be locked away in a garage for safekeeping and to ensure that no misuse takes place (personal use by employees). This will also ensure that vehicles are taken care of (not left in the sun, which would damage paintwork for example).

(6)

2.1

CALCULATION		ANSWER
(a)	2 946 400 – 1 516 400	1 430 000✓✓ 2
(b)	$117\,600 \times 20/100 \times 10/12$ 180 000 – □ 62 400 – □ 19 600 □□ 117 600 two marks One part correct	98 000□ One part correct 5
(c)	Sold 19 600 □ New: $411\,000 \times 20/100 \times 2/12 = 13\,700$ □ One part correct Old: $(900\,000 - 180\,000) - (570\,000 - 62\,400)$ $720\,000 - 507\,600$ $212\,400 \times \square\square 20\% = 42\,480$ □□ One part correct One part correct	75 780 □ One part correct 7
(d)	$61\,100 - 1$ $(66\,099 - \square 61\,009 \square\square) \times 100/10 \times 12/2 \square$	300 000 □

	5 000 three marks	One part correct
		5

19

ACTIVITY 3

COMPLETE THE OUTSTANDING AMOUNTS IN THE FIXED ASSETS NOTE

	CALCULATION	ANSWER
A	2 950 000 – 1 000 000	950 000✓ [1]
B	425 000 – 390 000	35 000□□ [2]
C	(1 950 000 – 35 000) ✓X 20% = 383 000✓ 1 000 000 X 20% X 312 = 50 000 □□	433 000 □ [5]
D	56 099✓– 50 099✓6 000 6 000✓×100/10✓×12/2✓=360 000	360 000 □ [6]
E		435 000✓

		[1]
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15

Cost Accounting

Activity 1

1.1 Choose ONE cost account for each of the following descriptions:

1.1.1	Factory overhead cost	✓
1.1.2	administration cost	✓
1.1.3	direct materials cost	✓
1.1.4	direct labour cost	✓
1.1.5	selling and distribution cost	✓

5

1.2 LANCY BAKE MANUFACTURERS

1.2.1	<p>Calculate the direct labour cost on 29 February 2024</p> <p>Normal time $4 \times 1\,960 \times R60 = R470\,400$ ✓✓</p> <p>Overtime $4 \times 70 \times R96 = 26\,880$ ✓✓</p> <p>Contributions $470\,400 \times 9\% = 42\,336$ ✓ (normal time)</p> <p>(8% + 1%)</p>	<p>Answer</p> <p>R539 616 ✓✓*</p> <p>one part correct</p>
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6

1.2.2 Prepare the Factory Overhead Cost Note on 29 February 2024

Indirect material (22 300 + 114 700 – 18 600)	118 400 ✓✓*
Water and electricity (168 000 – 16 000) x 75%	114 000 ✓✓*
Rent expense (258 000 x 9 600 m ² / 15 360 m ²) or x $\frac{5}{8}$	161 250 ✓✓*
Sundry expenses (88 100 + 5 700) x 80%	75 040 ✓✓*
Depreciation on factory equipment	78 610 ✓
Insurance (28 560 x 3)✓ x 3/5✓ or x $\frac{9}{5}$ 85 680	51 408 ✓*
one part correct	598 708 ✓

13

1.2.3 Complete the Production Cost Statement on 29 February 2024

Direct material cost	767 584
Direct labour cost see.2.1.1	539 616 ✓
Prime cost DMC + DLC	1 307 200 ✓
Factory overhead cost see 2.1.2	598 708 ✓
Total manufacturing cost PC + FOHC	1 905 908 ✓
Work-in-progress at the beginning of the year	181 992
operation	2 087 900 ✓
Work-in-progress at the end of the year Balancing figure (accept +ve difference)	(309 900) ✓
Cost of production of finished goods 186 000✓ + 1 810 000✓✓ – 218 000✓) One part correct	1 778 000 ✓

11

1.3.1 Provide a calculation to confirm that the break-even point for the 2024 financial year is correct.

$$\frac{225\,000}{251 - 174} = 2\,922 / 29\,23 \text{ units}$$

$$251 - 174$$

77 two marks

3

1.3.2 Explain why Marina is pleased with the production level, sales and break-even point. Quote figures.

Valid comparison ✓✓ Figures ✓✓ part marks for incomplete / partial / unclear responses

Must mention Production (and sales) and BEP for two marks

- Produced and sold is 2 078 units above the BEP (5 000 – 2 922(3)) / making a profit on 2 078(7) units

Two-mark options: Only ONE of: (max 2 marks)

- Comparison of units produced increase from 4 400 to 5 000 / by 600 units.

OR

Comparison of BEP decrease from 3 080 to 2 922(3) units / by 158(7) units.

4

1.3.3 Explain to Marina why the fixed cost per unit decreased from R56,00 to R45,00.

ONE point that either mentions or explains economies of scale ✓✓ Two marks or nothing

- Economies of scale: As more units are produced, fixed cost per unit would decrease.
- Increased production (by 600 units) resulted in a decrease in fixed cost per unit, due to fixed cost remaining fairly constant or not influenced by levels of production.
- The average fixed cost per unit would decrease as units produced increases / total fixed costs (constant) are divided by a large number of units.

2

1.3.4

Marina made deliberate decisions regarding variable costs to improve the business. Explain the decisions that she might have taken on these costs and how these could have had positive effects on the business. Quote figures.

Cost	Comment and positive effect (with figures) Unit costs must be compared (not the total amounts for cost items)
Direct material cost Comment (with figure) ✓ Positive effect ✓	Increased from R70 to R90 per unit / by R20 / 28,6% <ul style="list-style-type: none"> Improved quality of racing cars; justifies price increase Better quality – satisfied customers – less returns – improved sales – higher profits
Direct labour cost Comment (with figure) ✓ Positive effect ✓	Decreased from R62 to R54 per unit / by R8 / 12,9% <ul style="list-style-type: none"> Improved efficiency through training Better supervision of normal-time targets / more control over overtime. Shift from physical labour to machines
Selling and distribution cost Comment (with figure) ✓ Positive effect ✓	Increased from R24 to R30 per unit / by R6 / 20% <ul style="list-style-type: none"> More advertising increased sales Delivering to a wider area / offered free delivery Commission to motivate sales persons

6

* Do not accept increase in selling price, it must be a cost

TOTAL MARKS
50

1.3

GREENVILLE PRODUCERS

1.3.1

Determine the total number of extra units that need to be manufactured to reach the goal of increasing profits by R75 000 in the next financial year.	
WORKINGS	WORKINGS
	ANSWER
75000✓ / 51.94(180✓ -128.06✓)	1 444 Units✓ or 1 443.97 Units

1.3.2

In 2024, the owner Themba intentionally made strategic decisions regarding variable costs to improve the business. Identify TWO costs that were effectively controlled, resulting in a positive impact on the business.	
COST ✓✓	REASON Figures ✓ Positive effect on the business✓
Direct labour cost	Direct labour cost decreased from R34 to R28/by R6 (21,4%). This could be due to better supervision/Improved efficiency through training / more control over overtime/set targets to workers.
Selling and distribution cost	The selling and distribution cost increased from R18 to R19,62/by R1,62 (9%). Number of units produced and sold increased by 11,1%. This could be due to more money spent on advertisements/ offering deliveries for free to customers/increasing the delivery for customers.

1.3.3

The selling price increased by 12,5% from 2023 to 2024. Explain how this impacted on the performance of the business. Quote figures or calculations.
Compare the BEP with Units produced and sold ✓✓ Figures ✓✓ Response for Four marks • The business made a loss of 6 730 units (78 730 – 72 000) in 2023 and a profit of 4 234 units (80 000 – 75 766) in 2024./The business made a loss of R309 600

in 2023 (R46 x 6 730 units) and a profit of R219 920 (R51,94 x 4 234 unit) in 2024.

- Response for Two marks
- Sales increased from R11 520 000 to R14 400 000/by R2 880 000.
- The BEP decreased from 78 730 units in 2023 to 75 766 units in 2024/ decreased by 2 965 units in 2024.

1.3.4

Explain to Themba why the fixed cost per unit decreased by R1,11 while the total fixed cost increased by R313 680.

One valid explanation✓✓

Economies of scale

Although the fixed cost increased, more units were produced and sold.