



JENN

Training and Consultancy

The path to enlightened education

SUBJECT: ACCOUNTING

GRADE 12

LAST PUSH 2025

TEACHER AND LEARNER REVISION MANUAL

(MARKING GUIDELINE)



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Activity 1 Companies Financia Statements

1.1

1.1.1	E ✓
1.1.2	D ✓
1.1.3	B ✓
1.1.4	A ✓

4

1.2 STARLIGHT LTD

1.2.1 Calculate: Profit or loss on disposal of vehicle

WORKINGS	ANSWER
$91\,500 \checkmark - (104\,000 \checkmark - 15\,600 \checkmark \checkmark)$ <p style="text-align: center;"><small>104 000 x [20% x 9/12] for 1 of the 2 components within workings 88 400 three marks</small></p> <p>Accept alternative arrangements for calculations such as:</p> $104\,000 - 15\,600 - 91\,500$	<p>3 100 ✓</p> <p style="text-align: center;"><small>operation one part correct ignore sign</small></p> <p>If SP > CV = Profit or SP < CV = Loss</p>

5

Calculate: Total depreciation for the year

WORKINGS	ANSWER
<p>Vehicles</p> $15\,600 \checkmark + 145\,200 \checkmark = 160\,800 \text{ two marks}$ <p style="text-align: center;"><small>(see above)</small></p>	<p>281 100 ✓</p> <p style="text-align: center;"><small>operation one part correct for vehicles + equipment</small></p>
<p>Equipment</p> $774\,000 \times 15\% \quad 48\,000 \times [15\% \times 7/12]$ $116\,100 \checkmark \checkmark + 4\,200 \checkmark \checkmark = 120\,300 \text{ four marks}$ <p style="text-align: center;"><small>for 1 of the 2 components within workings</small></p>	

7

1.3 Statement of Comprehensive Income for the year ended 28 February 2023

Sales	20 150 000
Cost of sales	(13 200 000)
Gross profit	6 950 000
Other income	170 900 ✓
Commission income	85 900
Rent income 89 700 ✓ – 7 800 ✓✓	81 900 ✓*
Profit on sale of asset* * could be a loss see 1.2.1	3 100 ✓
Gross operating income 6	7 120 900
Operating expenses	(4 894 900)
Salaries and wages balancing figure could be a negative	2 218 100 ✓
Audit fees 155 200 + 38 800	194 000 ✓✓*
Directors' fees 2 015 000 ✓ – 130 000 ✓✓ 2015 000 x 29/31 OR 65 000 x 29 OR 1 560 000 + 325 000	1 885 000 ✓*
Sundry expenses	219 760
Bad debts 16 200 ✓ + 2 250 ✓✓ [9 000 x 20/80] two marks in total	18 450 ✓*
Depreciation see 1.2.1	281 100 ✓
Trading stock deficit 2 969 800 ✓ – (2 774 800 ✓ + 121 210 ✓) 2 896 010 two marks Do not accept 2 969 800 or 2 774 800 as final answers	73 790 ✓*
Provision for bad debts adjustment must be an expense	4 700 ✓✓
18	
Operating profit GOI - OE	2 226 000 ✓
Interest income balancing figure; accept if negative	734 000 ✓
Profit before interest expense	2 960 000
Note: one mark on 165 600 Interest expense 165 600 ✓ x 60% OR 165 600 – 66 240 (690 000 – 524 400) one mark OR (13 800 x 12) x 60%	(99 360) ✓ If x 60% OR –40%
Net profit before tax	2 860 640 ✓
Income tax	(858 140)
Net profit after tax	2 002 500

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CURRENT ASSETS	7 605 150
Inventory (2,774,800 ✓ + 121,210 ✓ see 1.2.1)	2,896,010 ✓*
Trade and other receivable 645 250 ✓ – 2 250 ✓ – 25 720 ✓ + 130 000 ✓ + 16 860 ✓✓ irrecoverable liabilities of directors' fees	764 140 ✓*
Cash and Cash Equivalent Balance Sheet Figure	3 945 000 ✓

* one part correct

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Activity 2 CONCEPTS AND FINANCIAL STATEMENTS (50 marks; 40 minutes)

2.1

CONCEPTS

2.1.1	B	✓
2.1.2	A	✓
2.1.3	D	✓
2.1.4	C	✓

4

2.2.1 Calculate the correct net profit.

Net profit as per profit and loss	1 810 404	
Interest on fixed deposit (504 000 x 10%)	50 400	✓
Provision for bad debts adjustments 64 800 x 5% (3 420 - 3 240)	180	✓
Rent income (94 608 x 230/1460)	(14 904)	✓✓
Loss of stock (25 200 x 30%)	(7 560)	✓
Insurance (15 120 x 5/12)	6 300	✓✓
Directors' fees	(9 000)	✓
Interest expense (709 200 + 223 200 – 846 000)	(86 400)	✓✓
Taxation	(483 120)	✓
Correct net profit after tax *(operation one part correct)	1 266 300	✓*

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2.2.2 TRADE AND OTHER RECEIVABLES

Debtors' Control	64 800	
Less provision for bad debts (64 800 x 5%)	(3 240)	✓
Net trade debtors (operation)	61 560	✓
Income receivable (see interest on FD above)	50 400	✓
Prepaid expenses (see insurance above)	6 300	✓
Insurance claim (25 200 x 70%) (may be shown as part of income receivable)	17 640	✓
SARS Income tax (524 520✓ – 483 120✓) (operation one part correct)	41 400	✓*
(operation one part correct)	177 300	✓

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2.2.3 TWO-WAY LTD
BALANCE SHEET (STATEMENT OF FINANCIAL POSITION) ON
29 FEBRUARY 2020

ASSETS			
NON-CURRENT ASSETS (operation one part correct)	5 483 052	✓	
Fixed Assets	5 180 652	✓	
Financial Assets			
Fixed deposit (504 000 – 201 600)	302 400	✓✓	4
CURRENT ASSETS (7 548 522 – 5 483 052) (Non-current assets – Total assets)	2 065 500	✓	
Inventory (757 800 ✓ – 25 200 ✓) (one part correct)	732 600	✓	
Trade and other receivables (see 1.2.2)	177 300	✓	
Cash and cash equivalents (954 000 + 201 600 ✓) (missing figure)	1 155 600	✓	
TOTAL ASSETS (see total equity and liabilities)	7 548 552	✓	8
EQUITY AND LIABILITIES			
SHAREHOLDERS' EQUITY (700 000 ✓ x 6,80 ✓) ([1 000 000 x 60%] 600 000 + 200 000 – 100 000 = 700 000)	6 160 000	✓	
Share capital (operation)	5 354 860	✓	
Retained income	805 140	✓	5
NON-CURRENT LIABILITIES	572 400		
Loan : Canara Bank (709 200 ✓ – 136 800 ✓) (one part correct)	572 400	✓	3
CURRENT LIABILITIES (operation)	816 152	✓	
Trade and other payables	112 352		
Shareholders for dividends (700 000 x 0,81)	567 000	✓✓	
Current portion of loan (see long-term loan above)	136 800	✓	
TOTAL EQUITY AND LIABILITIES (operation one part correct)	7 548 552	✓	5

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Foreign entries -1 (max -2)
Placement / Presentation / Incomplete details -1 (max -2)

Activity 3 COMPANIES FINANCIAL STATEMENTS

3.1.1

KAMZA LTD STATEMENT OF COMPREHENSIVE INCOME (INCOME STATEMENT) FOR THE YEAR ENDED 29 FEBRUARY 2024		
Sales (6 696 000 x 1,75 = 11 718 000 ✓✓* (216 000 x 80% = 172 800 ✓✓*)	11 890 800	✓*
Cost of sales	(5 580 000)	
Gross profit Operation 6	6 310 800	✓
Other operating income	264 320	
^{20 160} one mark ^{20 160} one mark Rent income (304 640 ✓ – 40 320 ✓✓)	264 320	✓*
Gross income Operation 5	6 575 120	✓
Operating expenses	(4 318 012)	✓*
Salaries and wages	2 183 860	
Sundry expenses	919 512	
Audit fees (135 360✓ - 22 560✓✓) x 100/120	112 800	✓*
Directors' fees (999 600✓ + 58 800 ✓✓) x 36/34	1 058 400	✓*
Advertising (39 980✓ + 3 460✓✓)	43 440	✓*
Operating profit 13	2 257 108	
Interest income balancing figure (accept a -ve figure)	32 362	✓
Net profit before interest expense NPBT + Interest expense	2 289 470	✓*
Interest expense	(577 200)	✓
Net profit before tax NPAT + Inc Tax	1 712 270	✓
Income tax (450 000 + 91 100)	(541 100)	✓✓*
Net profit after tax 7	1 171 170	✓

31

Foreign items -1 max

*one part correct

3.1.2 ORDINARY SHARE CAPITAL AUTHORISED SHARE CAPITAL

1 000 000 ordinary shares

ISSUED SHARE CAPITAL

If no brackets, check operation

600 000✓	Ordinary shares on 1 March 2022	7 200 000	✓
(100 000)✓	Shares repurchased (ASP: R12,00) ✓	(1 200 000) One part correct	✓
300 000✓	Shares issued balancing figure	4 800 000	✓ operation
800 000✓ operation	Ordinary shares on 28 February 2023	10 800 000	

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RETAINED INCOME

If no brackets, check operation

Balance on 1 March 2022	balancing figure	188 730	✓
Net profit after tax		1 171 170	✓
Shares repurchased (100 000 x R3)	one part correct	(300 000)	✓✓
Ordinary share dividends		(384 000)	✓
Interim dividends (500 000 x 0,24)	one part correct	120 000	✓✓
Final dividends		264 000	✓
Balance on 28 February 2023		675 900	

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SHAREHOLDERS' EQUITY	11 475 900	
Ordinary share capital	10 800 000	
Retained income	675 900	
NON-CURRENT LIABILITIES	1 695 000	
Loan BNF Bank 58 500 x 12 702 000 – 546 000 (1 975 800 + 577 200✓ – 702 000✓✓) – 156 000✓✓ 1 851 000 four marks 6	1 695 000	✓*
CURRENT LIABILITIES	1 392 880	✓*
Trade and other payables (779 200✓ + 40 320✓ + 3 460✓ + 58 800 ✓ rent income advertising directors fee	881 780	✓*
Shareholders for dividends	264 000	✓
SARS: Income tax	91 100	✓✓
Current portion of loan	156 000	✓
TOTAL EQUITY AND LIABILITIES	12 14 563 780 SE + NCL + CL	✓

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Foreign items F -1 max -2

SARS and portion of loan can be included under Trade and other Payables

ACTIVITY 4 COMPANIES FINANCIAL STATEMENTS

BRAVO LTD

4.1.1 ORDINARY SHARE CAPITAL

AUTHORIZED	
3 000 000 ordinary shares	
ISSUED	
✓ 1 800 000 ordinary shares in issue at beginning of year at R4	7 200 000 ✓
✓ 200 000 ordinary shares in issue during the year at R6 ✓ per share	1 200 000 ✓
✓ (80 000) shares repurchased during the year at Average price of R4.20 ✓ one part correct	(336 000) ☑
☑ 1 920 000 shares at the end of the year one part correct	8 064 000 ☑

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4.1.2 RETAINED INCOME

Balance on 1 March 2023	146 000 ✓
Net profit after income tax (780 000 – 234 000)	546 000 ✓✓
Shares repurchased (80 000 x R0,70 ✓) one part correct	(56 000) ☑
Ordinary share dividends one part correct	(500 000) ☑
Interim (2 000 000 ✓ x R0,10 ✓)	200 000 ☑
Final	300 000 ✓
Balance on 29 February 2024 one t correct	136 000 ☑

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4.1.3

FIXED/TANGIBLE ASSETS	Land and Buildings	Equipment	Vehicles
Carrying value in beginning	6 990 000	155 000	520 000
Cost	6 990 000	240 000	880 000
Accumulated depreciation	0	(85 000)	(360 000)
Movements			
Additions at cost	✓✓ 500 000	✓✓ 120 000	0
Disposal at carrying value (144 000 ✓ - 84 000 ✓ - 14 400 ✓)	(0)	(0)	☑ (45 600)
Depreciation	0	✓✓ (15 500)	(161 600)
Carrying value at the end	7 490 000	☑ 259 500	☑ 312 800
Cost	7 490 000	360 000	✓✓ 736 000
Accumulated depreciation	0	☑ (100 500)	☑ (423 200)

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4.2 BARVO LTD

BALANCE SHEET ON 29 FEBUARY 2024

ASSETS		
Non-current assets	☑ 8 287 300	
Tangible assets see 4.1.3	☑ 8 062 300	
Fixed deposit at Shine Bank (400 000✓ – 175 000✓)	☑ 225 000	(5)
Current assets	☑ 1 376 700	
Inventories (234 000✓ + 14 500✓)	☑ 248 500	
Trade & other receivables balancing figure	☑ 876 660	
SARS – Income Tax (246 000 ✓ – 234 000✓)	☑ 12 000	
Cash & cash equivalents (61 340 ✓ + 3 200 ✓ + 175 000✓)	☑ 239 540	
TOTAL ASSETS same as TE+L	☑ 9 664 000	(13)
EQUITY & LIABILITIES		
Ordinary shareholders' equity	☑ 8 200 000	
Ordinary share capital see 4.1.1	☑ 8 064 000	
Retained income see 4.1.2	☑ 136 000	(3)
Non-current liabilities	820 000	
Mortgage loan: Cash Bank 920 000 ✓ - 100 000 ✓✓	✓ 820 000	(4)
Current liabilities	☑ 644 000	
Trade & other payables (95 700✓ + 28 300✓ + 120 000✓)	☑ 244 000	
Shareholders for dividends	✓ 300 000	
Current portion of loan	✓ 100 000	
TOTAL EQUITY & LIABILITIES	☑ 9 664 000	(8)

Activity 5

5.1 FIXED ASSETS

(i)	Calculate: Cost price of buildings at the beginning of the year	
	WORKINGS	ANSWER
	$9\,421\,300 + 420\,000$ Concession: $9\,421\,300 + 420\,000$ one mark; for candidates who did not provide a final answer	$9\,841\,300$ ✓✓

2

(ii)	Calculate: Depreciation on vehicles	
	WORKINGS	ANSWER
	$(786\,000 - 260\,000)$ two marks Old: $526\,000$ ✓✓ x $[15\% \times 12/12]$ ✓ or 15% $78\,900$ three marks New: $260\,000$ ✓ x $[15\% \times 5/12]$ ✓ $16\,250$ two marks	$78\,900$ three marks $+ 16\,250$ two marks $95\,150$ ✓ one part correct both parts to be added

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(iii)	Calculate: Carrying value on equipment sold	
	WORKINGS	ANSWER
	$57\,600 \times [20\% \times 3/12]$ $57\,600$ ✓ – $2\,880$ ✓ ✓ OR $(8\,000 + 14\,400 + 2\,880)$ $80\,000 - 25\,280$ one mark one mark one mark	$54\,720$ ✓ one part correct

4

5.2 CORRECT NET PROFIT AFTER TAX FOR THE YEAR

Incorrect net profit before tax	1 150 000
Audit fees	– 45 600
Donation $100 \times R\,402$ ✓✓ $(603\,000 \div 1500)$	– 40 200 ✓ x 100
$286\,000 / 11$ Rent income $26\,000$ ✓✓ + $1\,300$ ✓	$+ 27\,300$ three marks If wrong, mark workings. Cannot get full marks if there is superfluous working
Directors fees $852\,800$ ✓ x $[200 / 1\,640]$ ✓ OR $52\,000 \times 2$ OR $852\,800 \times [2 \div 16,4]$ OR $83\,200 \times [100 \div 80]$ one mark one mark one mark one mark one mark one mark	$+ 104\,000$
Net profit before tax operation, one part correct Must include R1 150 000	1 195 500
Income tax accept if no brackets	– 351 000
Net profit after tax	844 500

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STATEMENT OF FINANCIAL POSITION ON 29 FEBRUARY 2024

5.3

ASSETS	
NON-CURRENT ASSETS	10 377 480
Fixed assets	9 952 480
Investment: Fixed deposit	425 000
CURRENT ASSETS <small>operation, one part correct</small>	3 848 020 <input checked="" type="checkbox"/>
Inventories	1 024 000 <input checked="" type="checkbox"/> *
Trade and other receivables <small>see 5.2 see 5.2</small> 744 900 ✓ + 27 300 <input checked="" type="checkbox"/> + 104 000 <input checked="" type="checkbox"/> – 8 400 ✓ <small>Rent inc. Dir. fees</small>	867 800 <input checked="" type="checkbox"/> *
Cash and cash equivalents	1 956 220
TOTAL ASSETS 10 NCA + CA	14 225 500 <input checked="" type="checkbox"/>
EQUITY AND LIABILITIES	
ORDINARY SHAREHOLDERS' EQUITY <small>TE & L – CL – NCL</small>	12 164 650 <input checked="" type="checkbox"/>
Ordinary share capital	11 151 000 ✓✓
Retained income 4 <small>Balancing figure accept negative amount</small>	1 013 650 <input checked="" type="checkbox"/>
NON-CURRENT LIABILITIES <small>operation</small>	608 000
Loan: PTA Bank <small>564 000 two marks – 168 000 one mark</small> 1 004 000 ✓ – 396 000 ✓✓✓ 5	608 000 <input checked="" type="checkbox"/> *
CURRENT LIABILITIES	1 452 850 <input checked="" type="checkbox"/> *
Trade and other payables <small>audit fees</small> 518 950 ✓ + 45 600 <input checked="" type="checkbox"/> – 8 400 ✓	556 150 <input checked="" type="checkbox"/> *
Shareholders for dividends	472 500 ✓✓#
Current portion of loan	396 000 <input checked="" type="checkbox"/> #
SARS Income tax	28 200 ✓✓#
TOTAL EQUITY AND LIABILITIES 11 See Total Assets	14 225 500 <input checked="" type="checkbox"/>

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ACTIVITY 6 FINANCIAL INDICATORS AND CASH FLOW STATEMENT

6.1.1 Calculate: Debt-equity ratio

WORKINGS	ANSWER
2 450 000 ✓ : 10 387 600 ✓	0,2 : 1 <input checked="" type="checkbox"/> one part correct

3

6.1.2 Calculate: Net asset value per share

WORKINGS	ANSWER
$\frac{10\,387\,600}{800\,000} \times 100$ cents	1 298,5 cents <input checked="" type="checkbox"/> one part correct accept 1298/1299

3

6.1.3 Calculate: Dividend pay-out rate

WORKINGS	ANSWER
$\frac{45}{350} \times \frac{100}{1}$ OR $\frac{631\,400}{2\,870\,000} \times 100$	22% <input checked="" type="checkbox"/> one part correct

4

6.1.4 Calculate: Return on average shareholders' equity (ROSHE)

WORKINGS	ANSWER
$\frac{2\,870\,000}{\frac{1}{2}(10\,387\,600 + 6\,910\,000)} \times \frac{100}{1}$	33,2% <input checked="" type="checkbox"/> one part correct Accept 33%

4

6.2.1 For the Cash Flow Statement calculate: Change in receivables

WORKINGS	ANSWER	Inflow/Outflow
418 000 – 390 000	28 000 ✓✓	Outflow ✓

3

6.2.2 For the Cash Flow Statement calculate: Change in payables

WORKINGS	ANSWER	Inflow/Outflow
536 000 – 359 200	176 800 ✓✓	Inflow ✓

3

6.3.1	Calculate: Taxation paid
WORKINGS	
$1\,085\,000 \checkmark - 124\,000 \checkmark - 354\,000 \checkmark$ <p style="text-align: center;">OR</p> $-1\,085\,000 + 124\,000 + 354\,000$	
ANSWER	
$607\,000 \checkmark$ one part correct	

4

6.3.2	Calculate: Dividends paid
WORKINGS	
$210\,000 \checkmark + 820\,000 \times 0.45 \checkmark \checkmark$ $210\,000 + 369\,000$ <p style="text-align: center;">OR</p> $210\,000 + 631\,400 - 262\,400$	
ANSWER	
$579\,000 \checkmark$ one part correct	

4

6.3.3	Calculate: Proceeds from sale of fixed assets
WORKINGS	
$8\,865\,000 \checkmark - 1\,360\,000 \checkmark + 785\,000 \checkmark - 8\,878\,000 \checkmark$ <p style="text-align: center;">OR</p> $8\,878\,000 + 1\,360\,000 - 785\,000 - 8\,865\,000$	
ANSWER	
$588\,000 \checkmark$ one part correct	

5

6.3.4	Calculate: Funds used for the repurchase of shares
WORKINGS	
$20\,000 \times R13,65$	
ANSWER	
$273\,000 \checkmark \checkmark$	

2

Activity 7: CASH FLOW STATEMENT, FINANCIAL INDICATORS

7.1

7.1.1	False ✓
7.1.2	True ✓
7.1.3	False ✓

3

7.2.1

CASH GENERATED FROM OPERATIONS		
Profit before tax	980 000 + 420 000	1 400 000 <input checked="" type="checkbox"/> ✓*
Depreciation		390 000
Interest expense		452 000
Net profit before changes in working capital	Operation	2 242 000 <input checked="" type="checkbox"/>
Net change in working capital	Operation	(1 230 700) <input checked="" type="checkbox"/>
Change in inventory		(915 100)
Change in receivables	332 200 – 305 800	26 400 <input checked="" type="checkbox"/> ✓*
Change in payables	963 000 - 621 000	(342 000) <input checked="" type="checkbox"/> ✓*
Cash generated from operations	Operation	1 011 300 <input checked="" type="checkbox"/>

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Note: The figure and the bracket (or no bracket) must be correct to earn the full mark(s) in the money column. 1 mark for the figure and 1 mark for correct use of bracket.

*One part correct

7.2.2

CASH EFFECT FROM FINANCING ACTIVITIES		
Proceeds from shares issued		397 500 <input checked="" type="checkbox"/>
Repurchase of shares	(360 000 x 7,95) two marks 2 862 000✓✓ + 162 000 ✓	(3 024 000) <input checked="" type="checkbox"/> *
Long-term loans received	3 850 000 – 3 080 000	770 000 <input checked="" type="checkbox"/>
	Operation	(1 856 500) <input checked="" type="checkbox"/>

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Note: The figure and the bracket (or no bracket) must be correct to earn the mark in the money column

*One part correct

7.2.3 Calculate the following amounts for the Cash Flow Statement.

Income tax paid	
Workings	Answer
<p>- 69 300✓ + 420 000✓ - 19 800✓</p> <p>Or 69 300 - 420 000 + 19 800</p> <p>Accept alternative arrangements for calculations such as signs reversed, brackets and/or ledger accounts</p>	<p>330 900<input checked="" type="checkbox"/></p> <p>One part correct</p>

4

• Dividends paid	
Workings	Answer
<p>Total dividend for the year: Look for Retained Income note</p> <p>1 700 700✓ + 162 000✓ - 980 000✓ - 1 239 200✓ = 356 500</p> <p>✓ four marks ✓</p> <p>210 000 + 356 500 – 130 900</p> <p>OR</p> <p>one mark five marks</p> <p>210 000 + 225 600</p> <p> 356 500 - 130 900 Interim dividend</p> <p>Accept alternative arrangements for calculations such as signs reversed, brackets and/or ledger accounts</p>	<p>435 600✓</p> <p>One part correct</p>

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• Proceeds on fixed assets sold	
Workings	Answer
<p>12 750 000✓ + 390 000✓ – 13 995 000✓</p> <p>Or -12 750 000 - 390 000 + 13 995 000</p> <p>Accept alternative arrangements for calculations such as signs reversed, brackets and/or ledger accounts</p>	<p>855 000✓</p> <p>One part correct</p>

4

7.2.4 Calculate the following financial indicators on 29 February 2020:

• Return on average Shareholders' Equity	
Workings	Answer
$\frac{980\,000}{\frac{1}{2} \times (11\,161\,200 + 13\,168\,000)} \times \frac{100}{12\,164\,600}$ <p>two marks</p>	<p>8,1% ✓</p> <p>One part correct</p>

4

• Net asset value per share	
Workings	Answer
$\frac{11\,161\,200}{1\,190\,000} \times \frac{100}{1}$	<p>937,9c *✓✓</p> <p>One part correct</p> <p>Accept 938 cents</p>

2

ACTIVITY 8: INTERPRETATION OF COMPANY INFORMATION

8.1	Compare the liquidity position of both companies and comment on the company that is managing the short term assets more effectively.	
	Financial indicators (with figures and trend) ✓✓ ✓✓ Comment on one company ✓✓ -1 for additional irrelevant financial indicators	
LOCK LTD	Although current ratio decreased from 2,1 : 1 to 1,9 : 1, the acid test ratio remains fairly consistent at 1,3 : 1 compared to 1,4 : 1 the previous year.	
DOWN LTD	The acid test ratio is consistent at 1,5 : 1 whilst the current ratio increased from 2,8 : 1 to 3,6 : 1	
COMMENT Marks for only ONE company	Lock Ltd appears to control working capital more efficiently by ensuring that stock is moving. They also have enough current assets (cash) to meet short term liabilities OR Down Ltd is not managing stock effectively. Whilst they would not experience cash flow problems, they are holding too much stock which may contribute to low profitability.	
		6

8.2	Compare the dividend pay-out policy of each company.	
LOCK LTD	Dividend pay-out rate is 52% (45/86) compared to 81% (65/80) in 2019 ✓✓	
DOWN LTD	Dividend pay-out rate is 86% (60/70) in 2020 and 86% (62/72) in 2019. Down Ltd has maintained the dividend pay-out rate at 86% ✓✓	
Provide TWO possible reasons why one company decided to change their policy.		
Any TWO reasons ✓✓ ✓✓ part marks for incomplete / partial answers		
They are retaining earnings to concentrate on growth		
They want to ease cash-flow problems and continue managing expenses to improve profitability		
They want to sustain the trend of increasing profitability and return on equity so shareholders can see the long-term prospects of the company		

8.3

Lock Ltd decided to increase their loans during the current financial year, whilst Down Ltd decided to maintain their existing loans.
Comment on the decisions of both companies. Make reference to the degree of risk and gearing.

LOCK LTDFinancial indicator
with figures & trendComment explaining
gearing effect ✓✓Debt/ equity ratio increased from 0,3 : 1 to 0,6 : 1 **one mark**ROTCE increased from 12% to 15% **one mark**

Although the business is now highly geared the loan is being effectively used to improve profitability. Business is positively geared so the decision was appropriate **two marks**

DOWN LTDFinancial indicator
with figures & trendComment explaining
gearing effect ✓✓Debt/ equity ratio remained constant at 0,4 : 1 **one mark**ROTCE decreased from 13% to 11,7% **one mark**

Although the business is low geared the loan is not being effectively used as the business is negatively geared so it would be wise to start paying back the loan, or improve strategies to improve profitability. **two marks**

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8.4

A shareholder of Down Ltd is concerned about the drop in the market price of the shares. Explain why they feel this way. Provide TWO points.

Any **TWO** valid points ✓✓ ✓✓ **part marks for incomplete / partial answers**

This reflects **that** public demand for shares is low/ public confidence in company has decreased

Shareholders want capital growth on their investment

Directors will be judged on the performance of the shares

The market price dropped below the net asset value

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8.5

M. Mtolo owns 576 000 shares in Down Ltd, which represents 48% of the total issued shares. He wants to purchase another 25 000 shares.

Do a calculation to show how this would change his % shareholding in the company.

$$\frac{(576\,000 + 25\,000)}{601\,000} \div \frac{(576\,000 \div 48\%)}{1\,200\,000} \times 100 = 50,1\% \quad \text{50,08\% accept}$$

601 000✓✓ **÷ 1 200 000**✓✓ **x 100 = 50,1%** ☒ **one part correct**
 Must be 50,1% (**not 50%**)

5

Provide TWO reasons why you think he is specifically interested in increasing his shareholding in Down Ltd.

TWO points ✓✓ ✓✓ **accept short statements for two marks**

He wants to be the majority shareholder

He wants to influence strategic decisions

He is aware of the poor performance of the business and thinks that he can make a difference.

He sees potential in the company and wants to be part of the future growth

He wants to implement corrective measures to address the downward trends in many of the financial indicators.

4

Activity 9 INTERPRETATION OF FINANCIAL STATEMENTS

9.1

3.1.1	D ✓ Return on Equity	Accept intelligible abbreviations
3.1.2	A ✓ liquidity	
3.1.3	B ✓ Leverage	
3.1.4	C ✓ solvency	

4

9.2 FLEXI Ltd. AND BROOM LTD.

9.2.1 Profitability:

Quote and explain TWO financial indicators to show which company controls its expenses more efficiently and is therefore more profitable. Cite figures and trends.

Partial points for incomplete/partial/unclear answers

Any TWO financial indicators (trends explained) of Broom Ltd with figures ✓✓ ✓✓

If figures are shown for Flexi Ltd, award points for the names of the indicators (max 2 points)

Get figures and trends for any two indicators below

% Operating expenses on sales improved/decreased (from 17%) to 13.6% / by 20% / by 3.4% points (assumed 3.4%)

% Operating profit on sales increased (from 20.5%) to 24.2% / by 18% / by 3.7% points (assumed 3.7%)

% Net profit on sales increased (from 16%) to 19.6% / by 22.5% / by 3.6% points (assumed 3.6%)

All indicators show an improvement in profits/expenses well controlled.

4

9.2.2 Dividends, Earnings and Returns:

Comment on the dividend payout policy of Flexi Ltd. Explain why this is an irresponsible change in policy. Provide TWO points. Cite figures and trends.

Trend (with numbers) ✓✓ **Subpoints for incomplete/partial/unclear answers**

Answers for 2 points for numbers and trend:

- The payout rate increased from 59% to 115% / by 94.9% / 56% points (accepted 56%).
- In 2021, they paid out a DPA of 92s compared to EPS of 80s (i.e. 12c of retained income).
- Although the EPS has decreased from 138 cents to 80 cents (by 58s) / DPA was 10 cents. more than last (82s to 92s and the DPA is now more than EPS (by 12s / 92s to 80s).

Explanation/comment on decision ✓✓

Partial Points for Incomplete/Partial/Unclear Answers

Expected comments – any one valid comment for two points e.g.

- The company depleted retained revenue reserves (which could be used more effectively to rebuild profitability).
- The company is trying to keep the shareholders happy/trying to influence the market price of shares by increasing dividends/equalizing dividends over multiple years.

4

Comment on the % return on shareholder stake for EACH company. Cite figures and trends.

Financial Indicator with Figures & Trend ✓✓

Flexi Ltd: OOAB decreased from 12.2% to 7.6% / by 37.7% / 4.6% points (accepted 4.6%)

Broom Ltd: OOAB improved from 10.7% to 14.1% / by 31.8% / 3.4% points (accepted 3.4%)

Additional comments in each case ✓✓

Figures may be included in the explanation; Candidates are not required to name a specific figure for the alternative rate; do not penalize for erroneous investment rates (these can range from 4% to 14%)

- **Flexi Ltd:** refer to/compare alternative investments e.g. fixed deposit
- **Broom Ltd:** refer to/compare alternative investments e.g. fixed deposit

Comment for only 1 point: (to cater to both companies)

- If candidates only increase/.decrease/good/bad mention with no alternative investments

4

A shareholder feels that the earnings per share (EPS) in Broom Ltd. are better than those in Flexi Ltd. Explain why you agree with him. Cite figures or calculations.

To get full marks, you need to compare EPS to value of shares (MP/NBW) for Flexi Ltd with digits ✓✓ share points for incomplete/partial/unclear answers

To get full marks, you need to compare EPS to value of shares (MP/NBW) for Broom Ltd with digits ✓✓ share points for incomplete/partial/unclear answers

Expected answers for four points (two points per company)

- EPS to NBW is 7.4% in Flexi Ltd and 11.4% in Broom Ltd
- EPS to MP for 2021 is 8,1% in Flexi Ltd (80/990) and 10,9% (72/660) in Broom Ltd
- EPS on MP for 2020 is 7,1% in Flexi Ltd 80/1130) and 11,7% (72/615) in Broom Ltd
- Flexi Ltd earned 80c per share valued at 990s/1,081s while Broom Ltd earned 72s on a share valued at 660s/632s

OR: Other equations for each company for only one point in each company

- Flexi EPS decreases from 138s to 80s while Broom increases from 65s to 72s
- Flexi EPS was calculated on a smaller number of shares (700,000) so it looks good; Broom's EPS was calculated on a larger number of shares (1,500,000)

4

9.2.3 Shareholding of Bob Yates in both companies:

Comment on the price paid by Flexi Ltd. for the repurchased shares. Provide TWO points. Cite figures.

Figures may include explanation

Any TWO valid points (2 points each), and at least one must be related to a Financial Indicator with Figure:

- Compare with figures R13,20 with MP of R9,90 or R11,30
- Compare with figures R13,20 with NBW of R 10,81 or R11,28
- Compare with figures R13,20 with any other value (e.g. Average Issue Price)
- Any other general comments without figures e.g. Funds are shrinking (liquidity) / Bob has used his status to enrich himself / MP also shows a downward trend / no demand for shares / can cause the price to fall further (assigning partial points for simple or incomplete or partial answers).

4

Calculate the number of shares Bob bought in Broom Ltd. with the money he received from the buyback of his shares.

CALCULATION	ANSWER
$ \begin{array}{r} 150\,000 \times 13.20 \\ \hline 1\,980\,000 \\ \hline R6,60 \end{array} $	300,000 shares ✓✓ one part correct

2

Explain the effect of share buybacks on the % shareholding of Bob Yates in EACH company. Cite figures and trends.

Comments on % shareholding ✓ compared to Flexi Ltd with figures ✓
 Comments on % shareholding ✓ compared to Broom Ltd with figures ✓
 Be mindful of combined explanation

Flexi Ltd:

Bob was the majority shareholder (51%)
 He now holds only 40.5% of the shares (283,500/700,000) so he loses his majority status

Broom Ltd:

Bob holds 41.8% of the shares $\frac{460,000}{1,100,000} = 41.8\%$
 He now holds 50.7% of the shares ($\frac{760,000}{1,500,000} = 50.7\%$) 3.2.3
 He is now majority shareholder (or based on the calculations in 3.2.3)

OR: There was no share buyback in Broom Ltd, so it would not affect its % shareholding which was 41.8% (two points)

OR: Having purchased 300,000 shares in Broom Ltd, he is now the majority shareholder (50,7%).

4

9.2.4 Financing Strategies and Financial Leverage:

Explain the decisions made by the directors of Broom Ltd., and how they will benefit the company. Cite figures.

Any ONE Decision ✓ ✓ Ciper ✓
 Explanation of benefit ✓ ✓ assigns partial points for partial/unclear/incomplete answers

Increase share capital by R2 640 000 or (400 000 shares) **OR**
 Reduce loan by R400 000 **OR**
 Net increase of R2 240 000 to total capital used

Explain ONE benefit (two points):

- All funds generated are spent on permanent items (fixed assets) that can generate future funds.
- Reduce debt/equity /reduce debt/(low risk)/ improve creditworthiness in the future
- Improve % return on average capital employed

2

Explain how the decisions made by Flexi Ltd. affected the risk and financial leverage of the business. Cite TWO financial indicators. Cite figures and trends.

Two financial indicators (with figures) ✓ ✓ ✓ ✓
 • Debt/equity increased from 0.4 : 1 to 1.1 : 1 by 0.7 : 1
 • OOTKA decreased from 16.1% to 10.2% / by 36.6% / by 5.9% points (accepted 5.9%).

Explanations can be combined with figures or separately, both risk and leverage should be mentioned. Ignore %OOAB (do not penalize).

assign partial points for partial/unclear/incomplete answers

- High risk due to increase in loan
- Experiencing negative leverage (OOTKA is lower than interest rate of 13%)

6

ACTIVITY 10

INTERPRETATION OF FINANCIAL STATEMENTS AND CORPORATE GOVERNANCE

10.1

10.1.1	B ✓
10.1.2	C ✓
10.1.3	A ✓

3

10.2 LIBRA LIMITED

10.2.1 Identify TWO other liquidity indicators that also show that the company is likely to have serious liquidity problems in the future. Explain ONE point in EACH case (with numbers).

TWO financial indicators ✓ ✓ Explanation or trend (with figure) ✓ ✓

Stockholding period	<ul style="list-style-type: none"> Increased (from 43 days) to 78 days/by 35 days/ 81.4% Danger of Running Out of Stock Cash locked up in inventory/accumulation
Average receivables collection term	<ul style="list-style-type: none"> Increased (from 32.6 days) to 58.9 days/ by 26.3/ 80.1% Slow collection will negatively affect cash flow Poor control over the collection of debtors

Do not accept creditor payment period

4

10.2.2 Comment on how the increase in the loan impacted risk and leverage in 2021. Cite TWO financial indicators. Mention ONE point in EACH case (with numbers).

Financial indicators ✓ ✓ figures indicating trend ✓ ✓ Explanation ✓ ✓

POINT 1	<ul style="list-style-type: none"> Debt/equity ratio increased (from 0.2:1) to 0.7:1/ by 0.5:1 Higher financial risk taken by enterprise. Enterprise is now making more use of loans
POINT 2	<ul style="list-style-type: none"> OOTKA decreased (from 9.1%) to 6.4%/ by 2.7% Company is negatively rated as the yield is lower than the interest rate on borrowed money (12%) Not making effective use of loans

6

Explain whether the decision to purchase additional property had the desired effect on demand for this product (with figures).

Explanation (not Yes or No) ✓ Figures (show/imply comparison) ✓ ✓

- Sales decreased by R2 574 000 / from R11 550 to R8 976 000/ by 22,3%
- Reduction in profit markup % reached from 75% to 60%.did not lead to more sales/15% reduction

3

10.2.3 Explain why the public is not yet interested in buying the new shares at R6,00 per share. Cite THREE financial indicators (indicators mentioned in QUESTION 4.2.2, excluded). Mention ONE point in EACH case (with numbers).

Any THREE of: Financial Indicator ✓ ✓ ✓ (with figures) ✓ ✓ ✓ Explanation ✓ ✓ ✓

They do not have confidence in company, as indicated by:

- EPS reduced from 102s (to 54s) by 48s – indicating that the company is having trouble maintaining profit levels
- DPS falls from 90s (to 25s) – shareholders do not receive reasonable returns
- Falls in dividend payout rate of 88.2% (to 46.3%) as an indication that directors are not concerned in growth, but are making an effort to rebuild.
- OOAB was 5.3%; and falls to 4.9%; even lower than the interest rate on fixed deposit (8%)
- R6,00 is not a good buy when compared to market price of R6,10 (R5,80), especially if they were willing to sell the shares at R4,80 (desperate attempt to raise capital)
- NBW (711c) is higher than market price of 610s, low demand for shares: investors not willing to buy shares
- Liquidity issues: operating ratio is low (1.1:1) and the fiery test ratio indicates a cash flow problem (0.8:1): debtors do not pay within limits (32 days)
- High markups (75%) and poor control over expenses (32% of sales) will cause customers to buy elsewhere: declining trends in profits

9

10.2.4 Mention TWO different points to justify their opinion. Cite figures or financial indicators.

TWO valid points ✓ ✓ digits ✓ ✓

POINT 1 Mandatory Point: Comments on Director's Fees

- Buys gave himself a 45% raise;
- R900 000 increase which is 50% more than that of other directors/
- Other directors did not receive an increase (R600 000 each maintained)

POINT 2 Possible additional answers. Only ONE of:

- EPS reduced (from 102s) to 54s; (with 48s)
- OOAB reduced (from 5.3%) to 4.9%
- OOTKA reduced (from 9.1%) to 6.4%;
- Poor control of expenditure, (from 32,4%) to 44 % of sales

4

10.2.5 Explain why the other directors were unhappy about the price at which the shares were bought back from Anton Buys. Mention TWO points. Cite financial indicators or figures to substantiate EVERY point. Both points may include the same statement; 2020 figures may be cited

Explanation (including financial indicator) ✓ ✓ Figures ✓ ✓

POINT 1 The shares were repurchased for R4,89 more than the net asset value per share (1 200s - 711 s)/69% more than NBW/This indicates inflated prices paid/compromising the cash flow of the business

POINT 2 The share buyback price is also R5,90 more than the market price (1200s -610s/unreasonable amount paid as there is no demand for shares

4

Provide a calculation to show whether the buyback of these shares affected Anton Buys' status as majority shareholder, or not.

OPERATIONS	ANSWER
$\frac{1\,240\,000}{2\,370\,000} \checkmark \times \frac{100}{1\,245\,000} \text{ OR } \frac{1\,240\,000}{1\,245\,000} \times \frac{100}{1}$	52,3% <input checked="" type="checkbox"/> one part correct as a % Accept 50.6%
Seeing numerator and denominator as such after x 100 is not part of one part correct	

3

10.2.6 Explain what is meant by *good corporate governance* and explain why it is important to shareholders.

Clarification and importance to shareholders may be expressed in the same answer

Explanation ✓✓ of subpoints for unclear/incomplete/partial answers

- Management of business according to good business and ethical principles
- Look out for the interests of all role players (including the community) by being fair, equitable, transparent, etc
- Ensure that the company has proper rules, policies, and customs that will ensure long-term shareholder value

Importance to shareholders ✓ accepts short, incomplete statements as long as antw is clear

- Impact on the image of the company/goodwill
- Improvement in stock price
- Potential investors will be attracted
- Trust in management

3

Explain a possible reason why Anton Buys says he will vote against the proposal of Excellence Ltd.

ONE point ✓✓ sharing points for unclear/incomplete/partial answers

- He will lose his majority stake over the Board
- He may lose his status as CEO
- He may be investigated for negligence
- He will no longer be able to manipulate his compensation in the future

2

Explain why you agree with the directors.

ONE valid point ✓✓ divides for unclear/incomplete/partial answers

- He made irresponsible decisions
- Self Enrichment/Selfish Gain/ Act of Enrichment (45%)

2

Advise the directors on how to deal with it.

ONE valid point ✓✓ divides for unclear/incomplete/partial answers

- Arrange a special meeting of shareholders
- Issue a grievance report
- Initiate disciplinary action (investigations/inquiries into mismanagement)
- Ask him to stand aside

2

ACTIVITY 11: CORPORATE GOVERNANCE

11.1 Explain why its members must be qualified Chartered Accountants.

Valid explanation ✓✓ part marks for incomplete / partial / unclear responses

It is a professional body that is in control of the financial report sector of a country. They make the rules, training and develop prospective candidates and maintain very high standards. / they must also be current with modern trends and be fully aware of world trends, and other developments that will affect the body.

2

11.2 Provide ONE reason why SAICA would treat this matter with such seriousness.

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

They uphold high moral and ethical standards / they interact with professionals / they would always want to maintain their reputation / portray behaviour of high standards / impartial in dealing with all matters / transparent so that all members are aware of consequences.

2

11.3 State TWO reasons why directors are expected to have the qualities that Mango is accused of not possessing (having).

TWO reasons ✓ ✓

Hold positions of authority / employees and colleagues must trust them / their decisions affect a chain of people or stakeholders / they must uphold the law / the king code prescribes that they engage in ethical behaviour and always keep all role-players informed / they manage public investments

2

11.4 If you were a shareholder of Orange Ltd, provide THREE different questions that you would raise at a meeting of shareholders concerning this matter. In EACH case, state a reason for your question.

Questions to be raised at meeting Any THREE valid questions ✓✓ ✓✓ ✓✓	Reason for raising the question Same reason may relate to different questions ✓ ✓✓
<ul style="list-style-type: none"> Why do the board and other directors appear to be negligent or careless in not detecting this corruption earlier? What measures will the board put in place to prevent corruption in future? How has the financial stability or profitability of the company been affected by this incident? What disciplinary action will the board take against the CFO? Was there any collusion between the Board and external auditors? 	<ul style="list-style-type: none"> The board and other directors could lay themselves open to legal claims for negligence / failure to monitor and keep the CFO accountable. Transparency / accountability / improving controls. Corrupt activities could negatively affect the company's sustainability Auditors should be impartial and trustworthy, breach of code of ethics CFO must be charged and there must be ways to recover the lost funds.

9

ACTIVITY 12: CORPORATE GOVERNANCE

12.1 Audit reports

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

Disclaimer of opinion ✓
accept Qualified

1

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.

4

12.2

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.

4

12.3 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 ✓✓ ✓✓ ✓✓ □□□ <small>part marks for partial / incomplete / unclear responses</small> 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.

6

Activity 13 INVENTORY VALUATION

13.1

4.1.1	First-in-first-out (FIFO) ✓
4.1.2	Periodic ✓
4.1.3	Weighted average (WAM) ✓
4.1.4	Perpetual ✓

4

13.2.1 Calculate: Value of the closing stock

WORKINGS	ANSWER
$(3\ 700/20 = 185)$ $320 - 20$ $(300 \checkmark \times 185 \checkmark) + (80 \checkmark \times 173 \checkmark)$ $55\ 500$ two marks $(59\ 200 - 3\ 700)$ two marks $(300 \times 170) (300 \times 15) (80 \times 160) (80 \times 13)$ OR $51\ 000 + 4\ 500 + 12\ 800 + 1\ 040$ one mark each	$69\ 340 \checkmark$ one part correct

5

Calculate: Cost of sales

WORKINGS	ANSWER
$336\ 870$ three marks $(83\ 500 + 129\ 750 + 59\ 200)$ one mark $(68\ 120 + 272\ 450 - 3\ 700) - 69\ 340$ $\checkmark \quad \checkmark \quad \checkmark \quad \checkmark$ see CS above (670×173) OR $68\ 120 + 83\ 500 + 115\ 910$ one mark one mark two marks	$267\ 530 \checkmark$ one part correct

5

13.2.2 Calculate the average stockholding period (in days).

WORKINGS	ANSWER
$68\ 730$ three marks see CS above $\frac{1}{2} \checkmark (68\ 120 \checkmark + 69\ 340 \checkmark) \times 365$ $267\ 530 \checkmark$ see COS above	OR using units $\frac{1}{2} (420 + 380)$ $\frac{400}{1\ 590} \times 365$ Allocate marks accordingly
	$93,8 \text{ days} \checkmark$ one part correct If $\times 365$ OR $91,8 \text{ days}$

5

Explain whether Gwen should be satisfied with this figure, or not. State TWO points.

NOTE: The average stock holding period on 29 February 2020 was 52 days.

Any TWO points ✓✓ ✓✓ part mark for unclear/incomplete/partial answers
 Figures not required by question; mark according to candidate's calculation above.

“NOT SATISFIED” OPTIONS

- The stockholding period has increased (from 52 days to 93,8 days see above) / Stock is not moving as fast as she expects.
- Possibility of bags becoming out-dated / out of fashion / obsolete
- Occupying storage space / idle stock is a risk of theft
- Too much working capital / cash tied up in stock / she will have to reduce prices to reduce stock

“SATISFIED” OPTIONS

- Bags are durable and can be sold in the future / possibly taken advantage of bulk discounts / increased profitability in the future (inflation)
- State of the economy (luxury goods) drop in demand was expected.

4

13.3 PROBLEM-SOLVING

Mark relevant problem or figures if in wrong columns / award for appropriate advice, even if problem is unclear / incorrect # be alert to additional correct options / figures

	PROBLEM FOR 2021 (with figures) TWO valid problems ✓ ✓ with figures ✓ ✓	ADVICE Per problem identified ✓ ✓ Mark advice independently Different problems required
JACKETS	<ul style="list-style-type: none"> Too much stock on hand (615 units) Increased by 208 units (from 407 to 615) Drop in stock turnover rate 1,9 to 0,9 / high stock balance results in stock not moving / higher mark-up % also contributes to this Price too high (MU% increased from 50% to 75% / a 25% increase / price increase of R90 per unit (R630–R540) Purchasing the same number of units (800) despite having excess stock; contributing to stock piling. Stock items missing or stolen (42 units or 407 +800 – 550 – 615) 	<ul style="list-style-type: none"> Increase advertising; Consider discounts Reduce mark-up% Order according to sales / orders received Reduce mark-up % to increase sales Have clearance sales
JERSEYS	TWO valid problems ✓ ✓ with figures ✓ ✓ <ul style="list-style-type: none"> Decrease in units sold: 290 (2 260 – 1 970) or 302 (2 182 – 1 880) OR drop in sales from 436 400 – 399 500 / by 36 900 / 8,5% OR by 86 900 (436 400 – 349 500 if missing cash not detected) Cash missing or stolen R50 000 (399 500 – 349 500) Or 69 125 (if returns not included) High returns from customers; 78 (3,5% of sale) to 90 (4,6% of sales) 	ADVICE Per problem identified ✓ ✓ <ul style="list-style-type: none"> Increase advertising Keep selling price the same to increase sales Division of duties Encourage use of EFTs Request sms for deposits Reconcile deposits with items sold / sales deposits Online sales / sell on credit – less cash handling Daily depositing / routine Effect stricter return policy Improve quality to reduce returns / do not buy inferior (cheaper) products change styles of jerseys / in fashion Train personnel to give best advice to customers.

ACTIVITY 14 INVENTORY VALUATION

14.2 Calculate the expected cost price of one LITCHI phone in rands per unit.

WORKINGS	ANSWER
<p>[5 488 two marks]</p> <p>$[(\\$280 \times R17,50) \checkmark \times 1,12 \checkmark] + (R303\ 600 \checkmark \div 300 \checkmark)$</p> <p>4 900 one mark +588 one mark +1 012 two marks</p> <p>OR $[(\\$280 \times 17,50 \times 300) (1\ 470\ 000 \times 12\%)]$</p> <p>$(1\ 470\ 000 + 176\ 400 + R303\ 600) \div 300$</p> <p>one mark one mark one mark one mark</p> <p>OR 1 950 000 three marks</p> <p>1 646 400 two marks one mark</p> <p>$[(\\$280 \times R17,50 \times 1,12) \times 300] + R303\ 600$</p> <p>300 one mark</p>	<p>R6 500 <input checked="" type="checkbox"/></p> <p>one part correct</p>

5

14.3 Calculate the total value of the closing stock of the CLEO and BRUMA phones on 29 February 2024, using the specific identification method.

MODEL	WORKINGS	ANSWER
CLEO	<p>$(270 + 2\ 265 - 2\ 180)$</p> <p>$355 \checkmark \checkmark \times R8\ 000$</p> <p>OR</p> <p>$20\ 280\ 000 - 17\ 440\ 000$</p>	<p>2 840 000 <input checked="" type="checkbox"/></p> <p>If x 8 000</p>
BRUMA	<p>$920 \times R2\ 500$</p>	<p>2 300 000 <input checked="" type="checkbox"/></p> <p>Accurate punte</p>
TOTAL		5 140 000 <input checked="" type="checkbox"/>

6

14.4 Calculate the average stock turnover rate for the CLEO phone for 2024.

WORKINGS	ANSWER
<p>$2\ 160\ 000 + 18\ 120\ 000 - 2\ 840\ 000$</p> <p>$24\ 416\ 000 \times 100/140$ OR $6\ 976\ 000 \times 100/40$</p> <p>OR $2\ 180 \times 8\ 000$ OR $24\ 416\ 000 - 6\ 976\ 000$</p> <p>two marks</p> <p>$\frac{17\ 440\ 000 \checkmark \checkmark}{\frac{1}{2} \checkmark (2\ 160\ 000 \checkmark + 2\ 840\ 000 \checkmark \text{ see 2.3})}$</p> <p>5 000 000 two marks</p> <p>2 500 000 three marks</p>	<p>if units are used:</p> <p>$\frac{2\ 180}{\frac{1}{2} (270 + 355)}$</p> <p>312,5</p> <p>7 times <input checked="" type="checkbox"/></p> <p>one part correct;</p> <p>Accept 6,9 times</p>

6

14.5

The directors took decisions to adjust the mark-up % on CLEO and BRUMA phones for the 2024 financial year. Explain how these decisions impacted on the gross profit and cash flow of the company as well as on the stock turnover rate of each model over the past two years. Quote figures and trends.

	CLEO	BRUMA
Explanation on gross profit & cash flow	<p>Explanation ✓✓ Figures ✓✓ Accept any TWO different points Do not accept mark-up</p> <ul style="list-style-type: none"> Gross profit increased (from R5 900 000) to R6 976 000 / by 18,2% / by R1 076 000 Units sold increased from 1 475 to 2 180 / by 705 / 47,8% Sales revenue increased (from R17 700 000) to R24 416 000 / by R6 716 000 / by 37,9% contributing to better cash flow. 	<p>Explanation ✓✓ Figures ✓✓ Accept any TWO different points Do not accept mark-up</p> <ul style="list-style-type: none"> Gross profit increased (from R2 540 000) to R3 027 500 / by R487 500 / 19% despite the higher mark-up % Units sold dropped from 2 540 to 1 730 / 810 units / 33% Sales decreased by R267 500 / from R7 620 000 to R7 352 500 / by 3,5%
Explanation on stock-turnover rates	<ul style="list-style-type: none"> STR increased / improved (from 4,4) to 7 times see 2.4 Customers prefer a better quality phone / On average 182 CLEO phones. are sold p.m. (increased from 123 in previous year) Appropriate stock on hand 355 units or 2,5 months 	<ul style="list-style-type: none"> STR decreased / slower (from 10,2) to 3,1 times. On average 144 BRUMA phones sold p.m. (declined from 212 in previous year) High closing stock of 920 / overestimated demand and overstocked for 4 months

8

14.6

If the directors go ahead with the LITCHI phones and order a lot more in the future and sell it at a mark-up of 40% on cost, how could this impact on the sales of the CLEO and BRUMA phones? Explain, quoting figures to support your opinion.

Any valid explanation ✓✓ part marks for incomplete or unclear answer

Figure/s or calculations ✓✓

Be alert to other valid explanations

- This would place the selling price between the Cleo (R11 200) and the Bruma (R4 250); which could negatively affect the sales of both models (Cleo may drop due to a cheaper alternative; Bruma sales may drop due to a less expensive quality phone)
- The directors should be aware that they might lose out on the high gross profit earned on the Cleo models (R3 200) against (R2 600) [6 500 see 2.2 x 40%] on the Litchi.

[The expected selling price would be R6 500 x 1,40 = R9 100] see 2.2

4

Activity 15

BANK RECONCILIATION & INTERNAL CONTROL

15.1

TOTAL RECEIPTS	TOTAL PAYMENTS
510 600	486 300
6 250 ✓	3 600 ✓✓
290 ✓	1 850 ✓
	1 000 ✓
	1 425 ✓
517 140	494 175
<input checked="" type="checkbox"/> Both totals one part correct, must include provisional totals, does not have to balance	

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

In awarding the method mark for totals, ensure that the candidate do not get full marks for including any incorrect figures

8

15.2

Calculate the Bank Account balance on 31 July 2024.	
WORKINGS	ANSWER
see CRJ see CPJ 15 300 + 517 140 <input checked="" type="checkbox"/> – 494 175 <input checked="" type="checkbox"/> Accept alternative presentation for calculations e.g. Ledger a/c Signs cannot be reversed	38 265 <input checked="" type="checkbox"/> one part correct

3

15.3

If both methods are answered, mark both and choose the option that benefits the candidate

BANK RECONCILIATION STATEMENT ON 31 JULY 2024			
	ONE COLUMN	DEBIT	CREDIT
Balance per Bank Statement Dr and Cr totals are the same, could be Dr balance	43 310	Balancing figure Do not accept 18 400 or 15 300	43 310 <input checked="" type="checkbox"/>
Outstanding deposit	10 000		10 000 ✓
Outstanding EFTs: 655	(5 650)	5 650 ✓	
656	(1 445)	1 445 ✓	
Debit incorrect amount	(9 800)	9 800 ✓	
Credit incorrect amount	1 850		1 850 ✓
Balance as per Bank Account	(38 265)	38 265 <input checked="" type="checkbox"/>	Dr or Cr as per 4.2.2 Do not accept 15 300 or 18 400
-1 (max -1) presentation(no details / inappropriate -1 (max -1) foreign items / superfluous only if marks are earned elsewhere for the same figure		55 160	55 160

7

15.4

What would be the consequences for the business if they do not alert the bank about the deposit of R9 800 on 25 July 2024? Provide ONE point.

Any ONE valid consequence ✓✓ Part-marks for incomplete / unclear response

- The Bank reconciliation would not balance.
- The business would get a bad reputation.
- The business would be liable to repay the money if it was used.
- The business can be sued to repay the money.

2

Activity 16 BANK RECONCILIATION

16.1	CASH RECEIPTS JOURNAL	CASH PAYMENTS JOURNAL	
	108 000	36 800	
	900 ✓✓	12 400 ✓	
	11 000 ✓	3 600 ✓✓	
	7 000 ✓	650 ✓	
		450 ✓	
	126 900 <input checked="" type="checkbox"/>	both totals 53 900	
		one part correct, must include provisional totals	10

16.2	Bank Account balance in the General Ledger on 31 July 2024	
	WORKINGS	ANSWER
	-20 400✓ + 126 900 <input checked="" type="checkbox"/> – 53 900 <input checked="" type="checkbox"/>	52 600 <input checked="" type="checkbox"/>
	Signs can be reversed	one part correct
	Accept alternative presentations for calculations e.g. Ledger a/c	4

2.3	BANK RECONCILIATION STATEMENT ON 31 JULY 2024	
	DEBIT	CREDIT
Balance as Bank Statement	balancing figure; two marks or nothing	34 000 <input checked="" type="checkbox"/>
Outstanding deposit		27 900 ✓
Outstanding ETFs: 205	5 100 ✓	
206	7 200 ✓	
Dr EFT 129 wrongly recorded	4 000 ✓✓	
EFT payment by a debtor		7 000 ✓
Balance as per Bank Account	52 600 <input checked="" type="checkbox"/>	Dr or Cr as per 1.1.1
-1 (max -1) Presentation/ no details -1 (max -1) foreign items (only if marks are earned elsewhere for the same figure)	68 900	68 900
		8

16.1.4	Explain the problem relating to deposits. Quote evidence.	
	Valid explanation ✓✓ Evidence ✓✓	
	<i>Expected responses:</i>	
	<ul style="list-style-type: none"> Missing or theft of cash, R12 400 Late deposits/ Deposits not being done promptly, Deposit of R88 000/ 18 June/ Approximately 13 days was outstanding at month end. 	
	Explain TWO strategies to prevent this in future. TWO points ✓✓ ✓✓	
	<ul style="list-style-type: none"> Receiving and banking of cash should be done by different people / division of duties / rotation of duties – to prevent rolling over of cash, leading to theft. Request SMS notifications from the bank / check bank statements (mini statements on App) regularly – ensure correct amounts deposited. Outsource the transportation of cash to security companies (large amounts). Encourage EFTs / strive towards cashless or minimal cash handling. 	8

TOTAL MARKS	40
--------------------	-----------

Activity 17 CREDITORS RECONCILIATION**(12 marks; 10 minutes)**

- 17.1 Use the table provided to indicate the changes that must be made in the Creditors' Control ledger and Creditors' reconciliation statement

	Creditors' Control	Creditors' List
Provisional balance/total	R 147 820	R145 060
(i)	+ 1 800 ✓	
(ii)	- 40 950 ✓	
(iii)		+ 30 000 ✓
(iv)		- 5 400 ✓
(v)	- 8 100 – 8 100 ✓✓	
(vi)		- 77 190 ✓
Both totals	92 470 ✓	92 470

8

- 17.2 The internal auditor insists that direct payments (EFT) must be used to pay suppliers.

One reason to support her decision. ✓✓

it is quick and easy / easier to monitor / efficient / convenient / safer / less bank charges.

One internal procedure to ensure control over this system. ✓✓

- Senior personnel authorised to make internet payment.
- Two people to authorise an FET transaction
- Security codes for users
- Notification from bank when payment is effected

Award one mark for division of duties

4**TOTAL MARKS****30**

Activity 18 RECONCILIATION AND AGE ANALYSIS

BANK RECONCILIATION

18.1.1

Cash Receipts Journal	Cash Payments Journal
60 334	34 865
(1 780 + 1 780) 3 560 ✓✓	(19 700 – 17 900) 1 800 ✓✓
315 ✓	1 670 ✓
	(12 080 – 10 080) 2 000 ✓✓
	651 ✓✓
	(176 one mark + 475 one mark)
64 209	40 986

10

18.1.2

Calculate the correct balance of the Bank account in the ledger on 31 May 2022.

$$-34\,274 \checkmark\checkmark + 64\,209 \checkmark - 40\,986 \checkmark = -11\,051 \checkmark \text{ one part correct}$$

See CRJ See CPJ

Accept ledger account
Check the net effect

5

18.1.3

Prepare the Bank Reconciliation Statement on 31 May 2022.

	Debit	Credit
Balance as per bank statement Balancing figure	R89 731 ✓ Could be DR/CR Do not accept R36 294	
Outstanding deposit R80 670 two marks		54 370 ✓
		26 300 ✓
Outstanding EFT	3 660 ✓	
Correction of error by the bank		1 670 ✓
Balance as per bank account See 4.1.2		11 051 ✓ Do not accept R34 274
Totals must be the same to award a part mark	93 391 ✓*	93 391

7

18.1.4 Explain ONE problem to confirm the auditors concern and give an advice on how the problem can be avoided. Quote figures.

Problem ✓	Figure(s) ✓	Advice ✓
<ul style="list-style-type: none"> • Shortfall in cash deposit, R2 000/R12 080 received and documented but only R10 080 was deposited/Delay in cash deposit (15 April – 17 May 2022) • EFT incorrectly recorded as payment of R1 780. 		<ul style="list-style-type: none"> • Use security company to collect deposits on daily or regular basis • Divide duties: person receiving the money must not be the one depositing it / count in, count – out cash procedure (count cash at the beginning and end of shifts). • Senior personnel should check (monitor) internet banking transactions regularly (daily) /deposit slips that reflects daily deposits. • Encourage debtors to make direct deposit/EFTs. <p>Do not accept “install cameras”</p>

3

18.2 DEBTORS' AGE ANALYSIS

18.2.1 How does the preparation of a Debtors' Age Analysis assist the business in controlling their debtors?

Expected responses: ✓✓

- To identify debtors who do not comply with credit terms/assist the business to avoid selling on credit to defaulters/.
- Business can identify debtors who are slow payers.
- It can identify debtors against whom legal action needs to be taken/To identify debtors to be handed over to debt collectors.
- It can assist in insuring debts are collected timeously.
- To understand on average, how quickly your debtors are paying the business.
- To identify debtors who should be charged interest and those who should be given discount.
- To identify debtors whose credit limit should be increased

2

18.2.2

	Identification of problem with evidence and figures Problem ✓ Figure(s) ✓	Internal control measures to correct the problem Advice ✓
Problem 1	Certain debtors are <u>exceeding their credit limits</u> : - S. Dawood by R2 800/ 70% and - B. Campher by R500/ 10%	- Do not sell to debtors who exceed their credit limits. - Ensure debtors have credit available before selling to them.
Problem 2	Certain debtors are <u>exceeding their credit terms</u> i.e. taking longer than 30 days to pay: - S. Dawood with R1 200/ 30% / 30 days - B. Campher with R4 500/ 90% / 60 days - B Campher is a <u>slow payer</u> 90 days	- Send reminders/statement of account to debtors - Charge interest on overdue accounts. - Offer early settlement discounts. - Consider legal action. - Sent letters of demand.

18.2.3 The owner of Rag Doll Traders is not happy with the control of the debtors. Provide calculations to verify his concern.

Total amount of debtors exceeding credit term must be compared the total amount owed.

$$\frac{5\,700}{19\,800} \times \frac{100}{1} = 28,8\% \quad \checkmark\checkmark \text{ accept } 29\% \text{ of the outstanding debtors are overdue}$$

(16,7% + 12,1%)

OR

Only 71,2% (71%) of the debtors are complying two marks

2

Activity 19 FIXED ASSETS

19.1 Calculate the missing amounts indicated by (i), (ii), (iii) and (iv) in the Fixed Asset note for the year ended 30 June 2024.

(i)	5 055 00 – 2 016 750	3 038 250✓✓
(ii)	2 580 000✓ + 105 000✓ – 2 437 500✓	one part correct 247 500✓
(iii)	105 000 ✓ – 25 200✓	79 800✓
(iv)	4 200✓☑ (sold) +(247 500 x 20/100 x 2/12) = 8 250✓☑ + 2 580 000 – 247 500 = 2 332 500✓ – 1006 500✓ x 20/100✓ = 265 200	one part correct 277 650✓

17

Activity 20: FIXED ASSETS, INCOME STATEMENT AND AUDIT REPORT

20.1	2.1.1	Equity ✓	
	2.1.2	Current asset ✓	
	2.1.3	Non-current asset ✓	
	2.1.4	Expense ✓	
			4

20.2 YASHPAL LTD

20.2.1 Refer to Information A:

	WORKINGS	ANSWER	
(i)	838 000 – 420 000	418 000 ✓✓	
(ii)	838 000 x 15% = 125 700 ✓✓	139 200 <input checked="" type="checkbox"/> one part correct	
	216 000 ✓ x 15% x 5/12 ✓ = 13 500 <input checked="" type="checkbox"/> one part correct		
(iii)	26 250 ✓ – 4 250 ✓	22 000 <input checked="" type="checkbox"/> one part correct	11

20.2.2

ASSET DISPOSAL (N12)

2025 Jan	1	Equipment	105 000	Pü	2025 Jan	1	Accumulated Depreciation on Equipment	83 000	p*
		Profit on sale of asset	4 250	P			Bank	26 250	ü
			Equipment (622 000 – 517 000)						
			109 250					109 250	
								*balancing figure	

- 1 (max -2) Presentation; incorrect or no details provided

5

Activity 21 CASH BUDGET & PROJECTED INCOME STATEMENT

21.1 Foreign entries
-1 max -2

	CASH BUDGET			PROJECTED INCOME STATEMENT			
	Nov. 2019	Dec. 2019	Jan. 2020	Nov. 2019	Dec. 2019	Jan. 2020	
Printer bought	40 800 P						
Depreciation					680P	680P	
Insurance			48 000P			4 000PP	
Loan received		100 000P					
Loan repayments			*5 000P				
Interest			*1 000PP			1 000R	11

Activity 22 CASH BUDGETS

22.1 Explain why a business needs to prepare a Cash Budget every year.

Any valid answer ✓✓

To plan for future receipts and payments in order to ensure that they have enough cash.

Calculate the bank balance.

Prioritising – taking corrective measures from previous deviations.

Do not accept income and expenses

2

22.2 Calculate the expected receipts from debtors for November 2024.

$180\,000 \checkmark \times 100/75 \checkmark \times 25\% = R60\,000 \checkmark \times 95/100 \checkmark$
 $= R57\,000 \checkmark$

OR $60\,000$ 3 marks – $3\,000$ one mark = $57\,000$ one method

OR $R180\,000$ 1 mark $\times 25/75$ 2 marks $\times 95\%$ 1 mark = $57\,000$ 1 method mark

5

22.3 Calculate the amounts indicated by A–D in the Cash Budget.

A	$R94\,100 \checkmark$
B	$A + 5\,000 = 99\,100 \checkmark$
C	$(143\,500) + 380\,000 = 236\,500 \checkmark$
D	$(143\,500) + 99\,100 = (44\,400) \checkmark$ must be in brackets

4

22.4 The rent income increased by 9% on 1 November 2024. Calculate the rent income amount for October 2024.

$10\,464 \checkmark \div 1,09 \checkmark = R9\,600 \checkmark$ one part correct

OR $10\,466 - 864 = R9\,600$

3

22.5 In your opinion, is Rain's capital contribution in November sufficient to support this business venture? Give ONE reason to support your answer.

Reason Yes/No ✓ Explanation ✓✓ Part marks can be awarded.

No, his capital contribution is not sufficient to support this business venture. Although his bank account is showing a surplus in November, in December his payments exceed his receipts.

Refer to 4.3 (B and D) above and mark according to the candidates answer.

3

22.6	<p>Calculate the percentage increase granted to the employees on 1 November 2024.</p> <p>2 160✓/108 000 ✓ x 100 = 2% <input checked="" type="checkbox"/> one part correct</p>	<div></div> <div>3</div>
	<p>In your opinion, will the employees be satisfied with this increase? Briefly explain.</p> <p>Yes/No✓ Any valid explanation✓✓</p> <p>No, the increase is lower than the inflation rate/the business can rather give a higher increase than investing money in a fixed deposit.</p> <p>Yes, the business bank account is in overdraft, they can be glad to get an increase.</p>	<div></div> <div>3</div>
22.7	<p>As the internal auditor you discover that the actual motor vehicle expenses for December 2019 were R9 600. Give TWO points that you would include in your internal auditors' report to Rian.</p> <p>TWO valid points ✓✓ ✓✓</p> <ul style="list-style-type: none"> • The actual expenses exceed the budgeted amount – overspent. • Maybe unexpected increase in fuel prices and maintenance cost. • The use of the vehicles needs to be investigated in order to ensure that the vehicles are used responsibly (no abuse). • Rian needs to ensure that the vehicles are serviced regularly in order to avoid unexpected repairs. 	<div></div> <div>4</div>
22.8	<p>Calculate the interest payable to Wesrand Bank in December 2019.</p> <p>240 000 ✓ x 85% ✓ = 204 000 x 11/100✓ x 1/12 ✓ = R1 870 <input checked="" type="checkbox"/> one part correct</p>	<div></div> <div>5</div>
	<p>Calculate the monthly repayments of the capital portion of the loan to Wesrand.</p> <p>204 000 <input checked="" type="checkbox"/> / 48 months ✓ = R4 250 <input checked="" type="checkbox"/> one part correct see above</p>	<div></div> <div>3</div>

Activity 23 BUDGETS

23.1 Complete the following sentences by filling in the missing word(s). Write only the word(s) next to the question number (3.1.1 – 3.1.2)

23.1.1 The main purpose of preparing the Cash Budget is...

Any valid point. ✓✓

To plan / To predict cash flows/ determine receipts and payments for the future / To control cash

2

23.1.2 ONE item in the Cash Budget that will not be reflected in a Projected Income Statement is...

Any valid point. ✓✓

Loan/Assets/Payments to creditors / Drawings / Receipts from debtors / Fixed deposits / Capital / Dividends

2

23.2 Prepare the Debtors' Collection Schedule for December 2024

Months		2024			
		Credit sales	October	November	December
Actual	August	345 000	138 000		
	September	480 000	144 000	192 000	
Budgeted	October	300 000	57 000	90 000	120 000✓✓
	November	210 000		39 900	63 000
	December	180 000			34 200✓✓
			339 000	321 900	217 200☑

5

23.3 Calculate missing figures in Cash Budget indicated by (i) to (v)

	CALCULATION	ANSWER
(i)	350 000✓ x 40%✓	140 000 one part correct ☑
(ii)	(500 000 x 100/200) = 250 000✓✓ x 80%✓	200 000 one part correct ☑
(iii)	360 000✓ x 1%✓ OR 43 200 (1 mark) ÷ 12 (1 mark)	3 600 one part correct ☑
(iv)	6✓ x R1 378✓ x 4 weeks✓	33 072 one part correct ☑
(v)	6 758✓ x 100÷109✓	R6 200 one part correct ☑

17

23.4 In order to increase sales and the number of customers, Lizzy intends to advertise that credit limits for all credit customers will be increased to R35 000 and that new customers are welcome to open accounts during January.

Give TWO points of advice to Lizzy regarding this decision.

Any TWO valid points. ✓✓ ✓✓

- Do not sell more on credit as this will worsen the overdraft
- He must screen debtors properly (e.g. pay slip/ credit reference), not simply allowing them to open accounts without checking the ability to pay.
- Only increase credit limits of customers who settle their debts promptly
- He must improve the rate of collection from debtors by charging interest

4

Activity 24 CONCEPTS AND VAT

24.1	24.1.1	C (VAT Input)
	24.1.2	A (Zero – Rated Items)
	24.1.3	D (Exempt Items)

(3 x 1 = 3)

24.2 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

NO.	VAT AMOUNT OWING TO SARS
1.	R8 120
2.	+ R912P
3.	+ R252P
4.	-R330PR 300 - 630
5.	+ R10 200PR 11 100 – 900 one part correct
	R19 154R R8 120 must be added to award a part mark

Activity 25 VALUE ADDED TAX

25.1 Calculate the VAT amounts indicated by (i) to (iii) on the table below.

No part marks

Details		VAT Amount	
Total sales		R61 800	
Purchases of stock	(i)	R34 500 ✓✓	
Bad debt recovered	(ii)	R1 140 ✓✓	
Discount allowed to debtors	(iii)	R1 890 ✓✓	6

25.2 Calculate the total of the credit notes including VAT.

WORKINGS	ANSWER	
R210 x 115/15	R1 610 ✓✓	2

25.3 Hamas Traders is experiencing cash flow problems. Warren, the owner, requested the Accountant that he should decrease the amount of sales such that the VAT input exceeds the VAT output to enable the business to claim a refund from SARS. Explain what you would say to Warren. Provide TWO points.

Any TWO valid points ✓✓ ✓✓

- It is a tax fraud and a very serious offense
- SARS can charge interest and impose penalties, and the guilty party can even receive a jail.
- It is an unethical business practice

4

Activity 26

26.1 VAT

A	B	C	D
DETAILS OF TRANSACTIONS	VAT EXCLUDED	VAT INCLUDED	VAT AMOUNT
Purchases of jersey fabric	R172 460	R198 329	– R25 869
Purchases of shoes	R234 000	R269 100	– R35 100 ✓
Sales of jerseys		R469 200	+ R61 200 ✓✓
Sales of shoes	R364 000	R419 520	+ R55 520 ✓
Salaries and wages	R70 000		0 ✓
Fixed assets purchased	R124 000		– R18 600 ✓✓
Bad debts		R2 645	– R345 ✓✓
AMOUNT PAYABLE/RECEIVABLE TO SARS			36 806 R one part correct*

*Must include the first amount

Mark sign with amount, if no sign is shown, accept as a positive
Salaries and wages must be shown as 0 to earn the mark.

ACTIVITY 27 COST ACCOUNTING

27.1

2.1.1	E ✓ selling and distribution
2.1.2	A ✓ factory overheads
2.1.3	B ✓ administration

3

Only ONE correct answer ; accept cost category or recognisable abbreviation

27.2 MEISIES OUTFITTERS

27.2.1 FACTORY OVERHEAD COST NOTE

Factory rent 122 400 x 320/1280	30 600 ✓✓
Water and electricity 81 600 x 15%	12 240 ✓✓
Insurance 20 720 x 12/14 x 1/3 17 760	5 920 ✓✓*
Indirect labour / wages to cleaners 155 760 ✓ x 90/590 ✓ OR 26 400 x 90% or – 2 640 one mark one mark	23 760 ✓*
Salary of dressmaking supervisor	76 960
Depreciation on machines	30 300
Sundry factory expenses	10 670
TOTAL	190 450 ✓*

10

*operation, one part correct

-1 foreign item (e.g. delivery expenses)

27.2.2 Calculate the total cost of production of school dresses produced.

WORKINGS	ANSWER
✓ ✓ ✓ see 2.2.1 475 600 + 535 450 + 190 450	1 201 500 ✓ one part correct

4

27.2.3 Minnie is concerned about wastage of fabric in the dressmaking section. Calculate the cost of this wastage to the business.

WORKINGS	ANSWER
<p>520 three marks (29 000 ✓ – 28 480 ✓) x R16,40 ✓ OR</p> <p>29 000 x 16,40 17 800 x 1,6m x 16,40 475 600 – 467 072 two marks two marks OR</p> <p>520 three marks (18 125 – 17 800) two marks (325 x 1,6m) x R16,40 two marks one mark one mark</p>	<p>R8 528 ✓ one part correct</p>

5

27.2.4 The internal auditor expressed concern about the direct labour cost for the school dresses.

Explain the problem that is of concern to the auditor. Quote figures.

Explanation ✓ figures (showing a comparison) ✓✓
(5 x 8 x 46)

- Normal hours worked is less than expected by 590 (1 840 – 1 250) / 32%.
- Overtime hours is high; 36,5% of total production time worked (720/1 970)
- Overtime pay is R9 200 more than the normal time pay (259 200 – 250 000) / exceeds normal time pay by R9 200.

3

State TWO possible causes of this problem.

Any TWO reasons ✓ ✓ accept short, incomplete statements if message is clear

- Interruptions due to load-shedding/lockdown (Covid -19 related) /strikes
- Fluctuating periods of high and low demand (opening of schools/each term)
- Poor supervision during normal time / deliberate wasting of time.
- Authorizing overtime / exploiting overtime (due to higher overtime rate)

2

27.2.5 Provide a calculation to confirm that the break-even point for the current financial year is 17 000 units.

WORKINGS	ANSWER
$\frac{229\,500}{75,00 - 61,50}$ <p>✓ 13,50 two marks</p>	<p>17 000 units</p> <p>Amount given</p>

3

27.2.6 Comment on the level of production achieved and the break-even point calculated above. Quote figures.

Comment (must compare production to BEP) ✓ figures ✓

- The business produced 800 units more than the BEP (17 800 – 17 000) / the business is making a profit on 800 units.
- Low profitability (on only 800 units) considering the wastage of material and time lost in production.

2

27.2.7 Calculate the extra profit that would be earned if an additional 500 dresses are made and sold. Assume that all costs are unchanged.

WORKINGS	ANSWER
$500 \times R13,50$ <p>(75,00 – 61,50) one mark</p>	R6 750 ✓
<p>OR</p> $17\,500 \times 13,50$ $236\,250 - 229\,500$	
<p>OR</p> $(18\,300 \times 13,50) - (17\,800 \times 13,50)$ $247\,050 - 240\,300$	
<p>OR</p> $(500 \times 75) - (500 \times 61,50)$ $37\,500 - 30\,750$ <p>one mark one mark on each line</p>	

3

Activity 28 COST ACCOUNTING

28.1 BLANKETS FOR HEALTH MANUFACTURERS

28.1.1	Calculate the value of the closing stock of raw materials.
$ \begin{array}{rcl} 3\,600 \times 165 & = & 594\,000 \checkmark \checkmark \text{ one part correct} \\ 3\,200 \times 170 & = & 544\,000 \checkmark \checkmark \text{ one part correct} \\ & & \underline{1\,138\,000} \checkmark \end{array} $	5

28.1.2	Calculate the direct material cost issued for production.
$ \begin{array}{l} 384\,000 \checkmark + 5\,074\,000 \checkmark - 1\,138\,000 \checkmark = 4\,320\,000 \checkmark \text{ one part correct} \\ \text{See 2.1.1} \\ \text{OR} \\ 384\,000 \checkmark + 1\,760\,000 \checkmark + 2\,176\,000 \checkmark = 4\,320\,000 \checkmark \text{ one part correct} \end{array} $	4

28.1.3	Calculate the direct labour cost.
$ \begin{array}{l} 10 \times 1\,920 \times 30 = 576\,000 \checkmark \quad \text{Must be 1\% of ANS} \quad + 5\,760 \checkmark = 581\,760 \checkmark \text{ one part correct} \\ 560 \times 60 = 33\,600 \checkmark \checkmark \\ 21\,000 + 210 = 21\,210 \checkmark \checkmark \text{ one part correct} \\ 636\,570 \checkmark \text{ one part correct} \end{array} $	8

28.1.4	Complete the production cost statement for the year ended 31 August 2023.																											
<table border="1"> <tr> <td>Direct material cost</td> <td>See 2.1.2</td> <td>4 320 000 <input checked="" type="checkbox"/></td> </tr> <tr> <td>Direct labour cost</td> <td>See 2.1.3</td> <td>636 570 <input checked="" type="checkbox"/></td> </tr> <tr> <td>Prime cost</td> <td>operation must add</td> <td>4 956 570 <input checked="" type="checkbox"/></td> </tr> <tr> <td>Factory overhead costs (254-24) = 230 <input checked="" type="checkbox"/> x 16 160 <input checked="" type="checkbox"/></td> <td></td> <td>3 716 800 <input checked="" type="checkbox"/></td> </tr> <tr> <td>Total manufacturing cost</td> <td>operation must add</td> <td>8 673 370 <input checked="" type="checkbox"/></td> </tr> <tr> <td>Work in process at the beginning</td> <td></td> <td>72 000 <input checked="" type="checkbox"/></td> </tr> <tr> <td></td> <td>operation</td> <td>8 745 370 <input checked="" type="checkbox"/></td> </tr> <tr> <td>Work in process at the end</td> <td></td> <td>(45 370) <input checked="" type="checkbox"/></td> </tr> <tr> <td>Total cost of production of finished goods</td> <td></td> <td>8 700 000 <input checked="" type="checkbox"/></td> </tr> </table>	Direct material cost	See 2.1.2	4 320 000 <input checked="" type="checkbox"/>	Direct labour cost	See 2.1.3	636 570 <input checked="" type="checkbox"/>	Prime cost	operation must add	4 956 570 <input checked="" type="checkbox"/>	Factory overhead costs (254-24) = 230 <input checked="" type="checkbox"/> x 16 160 <input checked="" type="checkbox"/>		3 716 800 <input checked="" type="checkbox"/>	Total manufacturing cost	operation must add	8 673 370 <input checked="" type="checkbox"/>	Work in process at the beginning		72 000 <input checked="" type="checkbox"/>		operation	8 745 370 <input checked="" type="checkbox"/>	Work in process at the end		(45 370) <input checked="" type="checkbox"/>	Total cost of production of finished goods		8 700 000 <input checked="" type="checkbox"/>	11
Direct material cost	See 2.1.2	4 320 000 <input checked="" type="checkbox"/>																										
Direct labour cost	See 2.1.3	636 570 <input checked="" type="checkbox"/>																										
Prime cost	operation must add	4 956 570 <input checked="" type="checkbox"/>																										
Factory overhead costs (254-24) = 230 <input checked="" type="checkbox"/> x 16 160 <input checked="" type="checkbox"/>		3 716 800 <input checked="" type="checkbox"/>																										
Total manufacturing cost	operation must add	8 673 370 <input checked="" type="checkbox"/>																										
Work in process at the beginning		72 000 <input checked="" type="checkbox"/>																										
	operation	8 745 370 <input checked="" type="checkbox"/>																										
Work in process at the end		(45 370) <input checked="" type="checkbox"/>																										
Total cost of production of finished goods		8 700 000 <input checked="" type="checkbox"/>																										

28.2 TIMELESS TIMBERWORKS

28.2.1	Calculate the break-even point for the year ended 31 October 2022.	
	WORKINGS	ANSWER
	$\begin{array}{r} 548\,410 \checkmark \\ \hline 18,85 \checkmark \end{array} + \begin{array}{r} 247\,500 \checkmark \\ \hline - 11,75 \checkmark \end{array}$ <p style="text-align: center;">(5,50 + 4,60 + 1,65)</p> <p style="text-align: center;">OR</p> $\begin{array}{r} 795\,910 \\ \hline 7,10 \end{array}$	<p>112 100 units</p> <p>✓<input checked="" type="checkbox"/>*</p> <p>* one part correct answer in units</p>
	<p>two marks</p> <p>two marks</p>	

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28.2.2	Calculate the units produced and sold for 2022.	
	WORKINGS	ANSWER
	$\begin{array}{r} 607\,750 \\ \hline 5,50 \end{array} \text{ OR } \begin{array}{r} 508\,300 \\ \hline 4,60 \end{array} \text{ OR } \begin{array}{r} 182\,325 \\ \hline 1,65 \end{array}$	110 500 units ✓✓

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28.2.3	Explain whether you think the owner, Phoebe, should or should not be concerned about the profitability and production level of her business. Provide TWO reasons and justify your answer by providing supporting figures.	
	<p>The owner should be concerned because the business is not sustainable. ✓</p> <p>Discussion ✓✓ part marks for incomplete / unclear responses Quoted figures <input checked="" type="checkbox"/></p> <p>Answer for THREE marks:</p> <ul style="list-style-type: none"> BEP has been calculated at 112 100 units and they are only producing and selling 110 500 units. Therefore, they are 1 600 units short. Thus not making profit. See 2.2.2. In 2021 the BEP was 78 000 units and they managed to produce and sell 98 000 units, thereby registering a profit on 20 000 units. <p>Answer for TWO marks:</p> <p>The BEP has increased from 78 000 units to 112 100 units / by 34 100 units.</p>	

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