GAUTENG PROVINCE
EDUCATION
REPUBLIC OF SOUTH AFRICA

PREPARATORY EXAMINATION

2023

MARKING GUIDELINES

ACCOUNTING PAPER 2 (10712)

12 pages

MARKING PRINCIPLES:

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

QUESTION 1

1.1 VAT

1.1.1

	WORKINGS	ANSWER
(a)	16 800 + 2 520	19 320 ✓
(b)	379 500 ✓ x 15/115 ✓	49 500 ✓
(c)	one mark one mark (821 000 – 10 200) 810 800 ✓✓ x 15/100 ✓ OR (821 000 x 15/100) 123 150 two marks – 1 530 one mark	121 620 ☑ one part correct

8

1.1.2

Advise Dan what he should do. Provide ONE point.
Any ONE valid point ✓✓ • He should insist on a source document. • Inform Dan to refrain from engaging in unethical practice. • Notify SARS / He has not declared VAT of R6 000 or R5 218 / He is not declaring all his income. • He should insist on paying VAT so that he can claim it back. • Allowance for returns will not be approved by SARS.

2

1.2 BANK RECONCILIATION AND INTERNAL CONTROL

1.2.1

CASH RECEIPTS JOURNAL		CASH PAYMENTS JOURNAL	
Details	**Amount**	**Details**	**Amount**
Provisional total	**R610 400**	**Provisional total**	**R568 300**
(14 350 - 13 450)	900 ✓✓	(22 420 - 12 420)	10 000 ✓✓
	108 ✓		890 ✓
	42 200 ✓		25 100 ✓
(7 860 + 7 860) one mark one mark	15 720 ✓✓		6 000 ✓
	669 328		610 290

-1 (max -1) foreign/superfluous items (only if the mark is earned elsewhere for the same figure).
Ensure that the candidate do not get full marks for including any incorrect figure/s.

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1.2.2 **Calculate the Bank Account balance on 30 June 2023.**

WORKINGS			ANSWER
See CRJ See CPJ 65 000✓+ 669 328 ☑ – 610 290 ☑ **OR** 59 038 two m. marks	65 000 669 328	610 290	124 038 ☑ One part correct

4

1.2.3 **BANK RECONCILIATION STATEMENT ON 30 June 2023**

	Alternative	DEBIT	CREDIT
Balance as per bank statement	120 165	Balancing figure; could be Dr	120 165 ☑
Credit outstanding deposit	10 000		10 000 ✓
Credit bank error	3 121		3 121 ✓✓
Debit outstanding EFT 188	(6 780)	6 780 ✓	
EFT 189	(2 468)	2 468 ✓	
Balance as per bank account	124 038	124 038 ☑ See 1.2.2	Do not accept R65 000
Both must be the same		133 286 ☑	133 286

8

-1 (max -1) foreign/superfluous items (only if the mark is earned elsewhere for the same figure).
Ensure that the candidate do not get full marks for including any incorrect figure/s.

1.2.4 **The auditor identified problems relating to deposits. Explain and quote ONE piece of evidence.**

Valid explanation ✓ Evidence ✓

Explanation:

- Rolling of cash/possibility of theft
- Deposits are not being done promptly/Late deposits

Evidence:

- Missing amount, R10 000.
- Deposit of R22 420 (on the 9 June).

2

TOTAL MARKS
35

QUESTION 2

2.1 CONCEPTS

2.1.1	Direct material ✓
2.1.2	Selling and distribution ✓
2.1.3	Variable ✓

3

2.2 JC ELECTRONICS

* one part correct

2.2.1 **Calculate: Direct labour cost**

Incorrect total before corrections		**1 132 030**
Salesperson commission		(8 575) ✓
Production staff	225 x 25 OR 72 000 – 66 375	5 625 ✓☑*
must include 1 132 030		1 129 080 ☑*

4

Calculate: Factory overhead cost		
Factory overhead balance		**356 310**
Water and electricity	110 500 x 90% OR 110 500 – 11050	99 450 ✓✓
Rent expense	(133 100 + 12 100) ✓ x 600/1 500 ✓ OR 145 200 – 87 120	58 080 ☑*
Insurance	8 400 x 3/2 OR 8 400 + 4 200	12 600 ✓✓
Indirect materials	11 400 x 80/20 OR 57 000 – 11 400	45 600 ✓☑*
Depreciation: factory equipment	412 500 – 242 500	170 000 ✓✓
must include 356 310		742 040 ☑*

12

2.2.2

PRODUCTION COST STATEMENT FOR THE YEAR ENDED 28 FEBRUARY 2023		
Direct (raw) material cost		
Direct labour cost		
Prime cost		
Factory overhead costs		
Total manufacturing cost		**3 971 120**
Work in progress (beginning of year)		260 000 ✓
		4 231 120
Work in progress (end of year)	check operation	(146 120) ☑#
Total cost of production of finished goods	23 750 x 172	4 085 000 ✓✓

#ignore brackets

4

2.3 BESWANA MANUFACTURERS

2.3.1 **Identify the production cost that caused the biggest problem in making the handbags. Explain and quote figures to support your answer.**

Production cost ✓ Explanation: trend and figure/s ✓

Direct labour cost

Increased (from R60) to R75 / by R15 / by 25%

Give TWO possible, practical solutions for Beswana Manufacturers.

TWO valid point ✓✓ ✓✓

- Train workers to work more efficiently.
- Work less overtime / Control working hours.
- Limit increase for production wages to inflation rate.
- Increase mechanization / automate tasks.
- Pay according to productivity.
- Offer benefits to employees.
- Reward top performing employees/team.
- Cross training of employees.
- Set achievable targets.

6

2.3.2 **Refer to the accountant's calculations of variable costs per unit for cellphone sling bags:**
Give TWO reasons for the decrease in the direct material cost.

TWO valid points ✓✓ ✓✓

- They found a cheaper supplier / local supplier for direct material (saving money on carriage/custom/import duties) / negotiated discount for buying in bulk.
- Workers were properly trained to minimise wastage of raw materials / Better quality of material were purchased that minimised wastage of material.
- There is better supervision and control when issuing material to the workers / efficiency in production.
- Cheaper transport cost.

4

2.3.3 **Do a calculation to prove that the 2023 break-even point of 51 021 units for cell phone sling bags, is in fact correct.**

$$\frac{\text{R2 500 000}\ \checkmark}{90\ \checkmark - 41\ \checkmark}$$

R49 two marks

one mark for R2 500 000 only (as a stand alone figure) i.e. any adjustment (+;-;x) to this figure would make the numerator incorrect.

3

2.3.4 **Comment on the production levels for cellphone sling bags. Should Beswana Manufactures be satisfied with the production level achieved in 2023 compared to 2022? Quote figures to support your answer.**

Explanation ✓✓ (must include comparison between production and BEP for both years)
Comparative figures ✓✓ (both years)

Response for four marks:

- In 2022 Beswana made a profit on 7 368 units compared to 2023 when a profit was made on 18 979 units.

OR

- Beswana made more profit in 2023 since the production level of 70 000 units exceeded the break-even point of 51 021 units compared to 2022 when 60 000 units were produced compared to the break- even point of 52 632 units.

OR

- Beswana made more profit in 2023 than in the previous year. In 2023 they made a profit on 11 611 more units than in 2022.

Response for two marks:

- In 2022 Beswana produced 60 000 units and in 2023 they made 70 000 units.
- The produced and sold 10 000 more units in 2023 than in 2022.
- In 2023 they made a profit on 18 979 units.
- In 2022 they made a profit on 7 368 units.
- BEP improved from 52 632 to 51 021/ by 1 611.

4

TOTAL MARKS
40

QUESTION 3

3.1 CONCEPTS

3.1.1	False ✓
3.1.2	True ✓
3.1.3	False ✓

3

3.2 OSBORNE INDUSTRIES

3.2.1 Complete Debtors' Collection Schedule for period 1 May to 30 June 2023.

-1 (max -1) for superfluous entry on shaded blocks; lose method on total

	Credit sales	May	June
March	**5 175 000**	**414 000**	
April	**5 625 000**	1 687 500 ✓	450 000 ✓
May	**5 887 500**	3 391 200 ✓✓	1 766 250 ✓
June	6 000 000 ✓✓		**3 456 000**
Receipts from Debtors for both totals. ONE part correct		5 492 700	☑ 5 672 250

8

3.2.2 Calculate the missing amounts indicated by (i) to (v) in the Cash Budget for the period May and June 2023.

* one part correct

	Workings		Answer
(i)	7 850 000 x 25% OR 7 850 000 – 5 887 500	**2**	1 962 500 ✓✓
(ii)	(8 000 000 x $\frac{100}{125}$) 6 400 000 x $\frac{20}{100}$ OR 6 400 000 – 5 120 000	**2**	1 280 000 ✓☑*
(iii)	(7 500 000 x $\frac{100}{125}$) 6 000 000 ✓ x $\frac{80}{100}$ ✓ x $\frac{98}{100}$ ✓ OR 4 800 000 – 96 000	**4**	4 704 000 ☑*
(iv)	(4 500 x 48) 216 000 ✓ x $\frac{20}{80}$ ✓ OR 4 500 x 12	**3**	54 000 ☑*
(v)	20 000 x $\frac{15}{100}$ x $\frac{1}{12}$ 250 ✓✓ 2 250 ✓	**4**	2 500 ☑*

15

3.2.3 **Marie has convinced Donny that they buy a delivery vehicle on 1 May 2023. Donny agreed, but he prefers Mangray Couriers since they offer unlimited kilometres on a fixed term contract.**

State TWO points in favour of keeping Mangray couriers.

Any two suggestions ✓ ✓

- It improves focus on core business.
- It minimises operational costs / It saves on vehicle expenses (maintenance/fuel).
- It saves financial costs (interest on loan).
- Lowers labour costs.
- The outsourcing of a courier company costs less than budgeted.
- It will be easier to budget (fixed contract amount).
- There are no interruptions or extra costs due to workers being on sick leave etc.
- VAT input can be claimed from SARS.

2

3.2.4 **Two of the sales assistants are close relatives of Donny and Marie. The sales manager is concerned that they are always absent from work and the other assistants are complaining.**

Provide a calculation to justify his concern.

WORKINGS	ANSWER
$(1\ 700\ 000 \times \frac{1}{100})$ $17\ 000 \times 5$	85 000 ✓☑ If x 5

Explain ONE point.

ONE valid point ✓✓ figures are not necessary

All sales assistants will need to share commission earned irrespective of others being absent from work (R85 000 / R17 000 each).

4

3.2.5 **The sales assistants were dissatisfied with their increases in June. Provide ONE reason for their dissatisfaction. Quote figures to justify their dissatisfaction.**

Comparison of sales assistant and sales manager ✓✓ figures ✓ ✓

The sales assistants received a 4% ($\frac{23\ 400-22\ 500}{22\ 500}$) increase whereas the sales manager received a 8% ($\frac{10\ 800-10\ 000}{10\ 000}$).

OR
Comparison with current inflation rate.

4

3.2.6 **A bid committee member from the local public hospital has offered to recommend Osborne Industries to supply detergents and cleaning material to the value of R1 250 000 during the tender process. However, he will only do this if Donny pays him R35 000 to convince other committee members.**

Give Donny and Marie advice in this regard. State TWO points.

Any two suggestions ✓✓ ✓✓

- This is actually a bribe which is unethical.
- There will be a reduced business appetite with Osborne Industries if the information is made public.
- If this can be made public, Osborne Industries will forfeit the tender and have to pay back the money.
- Donny and Marie must tender formally to the local hospital to secure the contract through the normal processes.
- This can distort the delivery outcome and the business might be captured.
- It is illegal and business may be suspended from operating .

4

TOTAL MARKS
40

QUESTION 4

4.1 **JONAS SOCK COMPANY**

4.1.1

Calculate: Value of closing stock (Use FIFO)	
WORKINGS	**ANSWER**
2 160 – 360 1 800 ✓ x R150 ✓ 270 000 two marks If both units totals add up to 2 900 2 900 – 1 800 1 100 ✓☑ x R210 ✓ 231 000 three marks OR (324 000 – 54 000) + (1 060 500 – 829 500)	501 000 ☑ one part correct

6

Calculate: Stockholding period in days (Use closing stock)	
WORKINGS	**ANSWER**
2 900 ✓ / 14 000 ✓ x 365	75,6 days ☑ If one part correct & multiplied by 365
see 4.1.1 one m. mark 501 000 / 2 691 900 one mark x 365	67,9 days If one part correct & multiplied by 365

3

4.1.2

Jonas Nkuna suspects that socks are being stolen from the shop despite tight security cameras being installed and having proper division of duties. **Provide a calculation to justify his concern.**	
WORKINGS	**ANSWER**
(16 010 – 360) 1 290 ✓ + 15 650 ✓✓ – 2 900 ✓ – 14 000 ✓	40 pairs ☑ one part correct

6

What can Jonas do to improve the internal control of stock? State TWO points.

Two valid points ✓✓ ✓✓

- Do regular physical stock counts.
- Place security price tags on the socks.
- Provide secure display cabinets for the stock.
- Improve security at the gates/inspect items and check sales slips.
- Buy in smaller quantities/more regularly.

Do NOT accept division of duties/security cameras/CCTV.

4

4.1.3 **Jonas's buyer was on leave in February when he decided to buy the stock. He saw cheaper socks and bought them. Explain with evidence why it was not a good idea to buy cheaper socks.**

One valid point ✓✓ figure ✓

- The returns to the supplier increased (from 0) to 360.
- 2 160 stock was too much and is a new product to customers.
- High stock on hand of 2 900 socks compared to 1 290 (1 610) of previous year.

3

4.1.4 **An investigation revealed that Jonas's brother (driver at the store) bought 180 pair of socks at staff price and sold them to his marathon team members at a higher price. The policy of the company is against employees selling their products.**

What should Jonas say to his brother when dealing with this matter? Provide TWO points.

Two valid points ✓✓ ✓✓

Award partial mark for incomplete response

- It is unethical and business is losing anticipated profits.
- A conflict situation can arise if the customer wants to return the socks.
- Employees will face disciplinary hearings.

4

4.2 INTERNAL CONTROL

You are provided with information relating to Dos Electronics. The shop has three branches and they sell one type of laptop. The owner is concerned that the figures provided reflect poor internal control and decision-making.

Identify ONE problem for each branch. Quote figures. In EACH case give advice on how to solve the problem.

Branches	Problem ✓ ✓ ✓ Figure/s ✓ ✓ ✓	Advice ✓ ✓ ✓
KZN	• 25 laptops stolen • Loss of income, R155 000	• Regular stock counts • Improve physical security / Check at doors / Install Camera. • Senior manager must authorise release of laptops.
WC	• 600/1 200 x 12 = 6 months; slow moving goods • Only 67% of available stock sold i.e. 1 200/1 800 • Too much stock on hand 600	• Reduce the selling price to increase sales. • Venture into new advertising methods. • Order as per customer's request
GP	• R975 000 is missing / 150 laptops sold but money not deposited / Total sales are R18 850 000 but only R17 875 000 was deposited.	• Encourage customers to pay using EFT. • Request bank notifications for all transactions. • Use security company to collect money. • Division of duties

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TOTAL MARKS
35

TOTAL: 150