education

Department of Education
FREE STATE PROVINCE

PREPARATORY EXAMINATION

GRADE 12

ACCOUNTING P2

SEPTEMBER 2024

MEMO

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

This marking guideline consists of 11 pages.

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QUESTION 1

1.1 Indicate whether the following statements are TRUE or FALSE. Write only 'true' or 'false' next to the question numbers (1.1.1 to 1.1.3) in the ANSWER BOOK.

1.1.1	False	✓
1.1.2	True	✓
1.1.3	False	✓

3

1.2 BANK RECONCILIATION

1.2.1 Bank Account balance on 31 August 2024:

– 4 600 ✓ – 370 ✓– 480 ✓ + 17 300 ✓– 3 500 ✓ = 8 350 ☑ one part correct

Be alert to alternative presentations (e.g. T-account).

6

1.2.2 Bank Reconciliation Statement on 31 August 2024:

	DEBIT	CREDIT
Balance as per Bank statement	1 970 ☑	(balancing figure one part correct, if totals balance)
Outstanding deposit		12 340 ✓
Outstanding EFT no. 827	2 500 ✓	
Incorrect debit by bank		480 ✓✓
Balance as per Bank Account	See 1.2.1 8 350 ☑	
	12 820	12 820

6

1.3 DEBTORS AGE ANALYSIS AND INTERNAL CONTROL

1.3.1 Calculate the percentage of total debts exceeding the credit terms.

$$\frac{22\,360 + 10\,640}{33\,000\ ✓ \quad 60\,000\ ✓} \times \frac{100}{1} = 55\% ☑$$ one part correct

3

1.3.2 Does the business keep tight control over its debtors? Explain.

TWO valid points ✓✓ ✓✓ figures can be used to motivate answers

see 1.3.1

- Only 45% of the debtors are keeping to the 30 days terms/55% not.
- Mornè, Tshepo and Rahu were allowed to buy in the current month although they owe money for 60 days/90 days. R15 500/R6600 for 60 days, R4 500 /R3140 for 90 days.
- They must pay their creditors within 30 days to qualify for an early payment discount but only collect 45% of debtors.

4

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1.4.1 CREDITORS' RECONCILIATION

	Creditor's Control	Creditor's List
Incorrect Balance	**41 167**	**58 667**
(i)	(– 1 400 + 1 500) one mark one mark ✓✓ + 100	
(ii)		– 500 ✓
(iii)		(– 7 900 – 7 900) one mark one mark ✓✓ – 15 800
(iv)	+792 ✓	+792 ✓
(v)	+ 1 100 ✓✓	
(vi)	– 1 800 ✓	– 1 800 ✓
	41 359 ☑*	41 359
	Method mark for both totals, one part correct -1 per line if a mark is earned on the line	

12

1.4.2 Give TWO advantages in support of this suggestion.

TWO valid advantages ✓✓ ✓✓

- It will be much safer, having proof of payments available immediately.
- Keeping track of payments can be done more accurately.
- Very convenient, since bank statements can be accessed from the business and any time of the day.
- Using the banking app payments history can easily be recalled.

4

Name ONE procedure which the business will have to put into place.

ONE valid suggestion ✓✓ part mark for incomplete/unclear response

- The business needs to put internal control measures in place, e.g. name someone to authorise all EFT payments.
- Name someone to take charge of receiving the OTPs to authorise EFT payments.
- Ensure all creditors are listed as recipients on the banking app/double-check the banking details of a creditor before making a payment via EFT.

2

TOTAL MARKS
40

QUESTION 2

Calculate the following on 31 August 2024:

2.1.1 Calculate the rand value of the closing stock.

28- 2
26 ✓ x 7 000 ✓ = 182 000
5 ☑ x 8 000 ✓ = 40 000

OR

233 400 + 778 000 7 000 – 152 = 6 848 x 2
1 011 400 – 13 696 two marks – 775 704 one mark
one mark

222 000 ☑
one part correct
must use both

5

2.1.2 Calculate the rand value of the spoilt mattresses according to the weighted average.

233 400 + 778 000 7 000 – 152 = 6 848 x 2
1 011 400✓ – 13 696 ✓✓
151 – 2 ✓ = 6 696 x 4

997 704 three marks
149 one mark = 6 696 four marks

26 784 ☑

one part correct
Must be x 4

5

Explain how this will impact on the actual figure he will show as a loss. Quote figures.

Any valid point with figures ✓ ✓

WA's price (R6 696) is much lower than the purchase prices of the last 2 batches on FIFO (R8 000/R7 000), and the stock loss of R26 784 will be recorded, instead of R32 000 or R28 000. See 2.1.2 above

2

Explain how this will impact the closing stock and Cost of Sales. Quote figures.

Any valid point with figures ✓ ✓ part mark for incomplete/unclear response

R195 216

- Loss will reduce the Closing stock value (222 000 – 26 784) which will increase COS (775 704 to 802 488) See 2.1.2 above
- Gross Profit % will decrease 67,3% to 61,8% [(1 298 000 – 802 488)/802 488)] x100%.

2

Explain TWO points of advice you will offer about changing the method of stock valuation.

Any TWO valid points with figures ✓✓ ✓✓ part mark for incomplete/unclear response

- It may look like manipulation of profit figures which can lead to problems e.g. tax evasion.
- Will not have comparative figures for the 2 years e.g. budget purposes.
- Not most suitable valuation method for higher priced stock units, such as mattresses.

4

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2.2 INTERNAL CONTROL

2.2.1 Speakers:

Provide TWO points which show that the customers are happy with the quality of the speakers. Quote figures.

Any TWO valid points with figures ✓✓ ✓✓ part mark for incomplete/unclear response

- Units sold increased from 2 270 to 2 380 (by 110 units).
- Customers are not discouraged by the increase in markup from 75% to 100%.
- Nil (0) returns from customers which shows good quality of the product.
- Gross profit increased from R13 620 000 to R28 560 000 (by R14 940 000 or 110%).

4

2.2.2 Headphones:

Explain why it was a good idea to change to a new supplier of headphones. State TWO points. Quote figures.

Any TWO valid points ✓✓ ✓✓ part mark for incomplete/unclear response

- Returns by customers decreased from 15 units to 5 units (by 10).
- Units sold increased from 490 to 610 (by 120/24,5%).
- Stockholding period decreased from 77 days to 61 days (by 16 days/20,8%).
- Gross profit increased from R95 000 to R201 300 (by R106 300/112%).

More profit, better quality headphones, less returns and less stock on hand, which is good. Customers are willing to pay more for better quality.

4

2.2.3 Earbuds:

DJ Rock continued to experience problems with this product line in this financial year, even though he reduced the selling price of the earbuds in an attempt to counter the new competition. Give TWO points of advice to DJ Rock on whether he must discontinue or keep selling earbuds. Quote figures.

Any TWO valid points Explanations ✓✓ Figures ✓✓

Discontinue:

- The reduced price did not contribute to an increase in units sold, decreased by 1160 to 880 (by 280/24,1%).
- Stock on hand increased from 21 days to 97 days (by 76 days /78,4%), he can suffer even more losses due to earbuds becoming outdated.
- The returns by customers also increased, from 14 to 36 (by 22/157,1%).
- Gross profit decreased from R55 008 to R16 880. / R38 128 / 69,3%

4

TOTAL MARKS
30

QUESTION 3

3.1 Explain why: one each mark for any acceptable answer.

3.1.1 Factory rent is considered a fixed cost.

The rent amount is not dependent on the number of units produced./Rent must be paid irrespective of whether the factory is in production or not. ✓

3.1.2 Bad debts are regarded as a selling and distribution cost.

The Selling & Distribution department is responsible for sales and screening of debtors, therefore if debtors cannot pay it will be their expense to carry. ✓

2

3.2 BONGI MANUFACTURERS

3.2.1 FACTORY OVERHEAD COST

Indirect labour	**168 660**	
Indirect material 24 350 + 700	25 050	✓✓
Depreciation: factory equipment	231 700	✓
Water and electricity (40 600 + 2 500) x 75%	32 325	☑✓
Rent expense (61 100 - 4 700) 56 400 x 2/3 **OR** 56 400 – 18 800	37 600	☑✓
Sundry expenses (22 600 x 3) 67 800 x 6/9	45 200	✓☑*
-1 for foreign item; max -2 *one part correct.	540 535	☑*

10

3.2.2 Calculate the Direct Material Cost.

(12 900 m – 800 m) (504 000 + 4 914 000) 5 418 000/ 12 900

12 100 ✓✓ x R420 ✓✓ = 5 082 000 ☑ one part correct

OR: 800 x 420

5 418 000 – 336 000 = 5 082 000

Two marks two marks method mark

5

3.2.3 PRODUCTION COST STATEMENT ON 31 AUGUST 2024.

Direct material cost	see 3.3.2	5 082 000 ☑
Direct labour cost 806 400 ✓+ 84 000 ✓ + 80 640 ✓		971 040 ☑
Prime cost	DMC + DLC operation one part correct	6 053 040 ☑
Factory overhead cost	see 3.2.1.	540 535 ☑
Total manufacturing cost	PC + FOC	6 593 575 ☑
Work-in-progress (opening balance)		**420 200**
		7 013 775
Work-in-progress (closing balance)	balancing figure	(250 275) ☑
Cost of production of finished goods	4 050 x R1 670	6 763 500 ✓

10

3.2.4

	IDENTIFY SEPARATE REASONS ✓ ✓	FIGURE ✓ ✓
Reason 1	Each could have worked 144 hours (3 x 48 x 6) = 864 hours. Workers worked less overtime than allowed (800).	Workers are entitled to work 864 hours overtime but only use 800 hours. Possible saving is 64 x 105 = R6 720 Although overtime is not compulsory.
Reason 2	Well-trained workers and supervision led to savings on fabric.	The level of production is 4 050 suits which demanded 12 150 meters of fabric, but they only used 12 100 meters. Saving of 50 x R420 = R21 000

4

3.2.5 In your opinion, were the bonuses justified? Quote figure.

Opinion ✓ Bigures ✓

No / Yes see 3.2.4
Total saving of R21 000 and bonuses amounted to R80 640, thus R59 640 more.

Yes, there was a saving on fabrics

2

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3.3 VINI BAGS MANUFACTURERS

3.3.1 **Explain whether the business should be satisfied with the number of handbags produced and sold during this financial year. Quote figures.**

Comparison of production to BEP ✓✓ with figures ✓

The business produced and sold 6 200 units. This is 945 units more than the break-even point of 5 255 units.
OR
The business is producing 945 units more than the break-even point of 5 255 units (17%). The profits may be considered to be very low.

3

3.3.2 **Calculate the number of handbags he had to make and sell to reach this target.**

mark each

$$\frac{6\ 061\ 490\ ✓✓}{(1\ 600 - 770)\ ✓}$$

Be alert to other methods e.g. solve for x

= 7 303 units ☑ one part correct

1 700 00/ 830 = 2 048,1 or 2049 extra + 5 255 current BEP = 7 303

4

TOTAL MARKS
40

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QUESTION 4:

4.1 Explain why:

4.1.1 The Cash Budget as a managerial tool important is.

ONE reason ✓ accept short answers

- It helps to plan receipts and payments./Keep track of bank/cash balance.
- It highlights payments (expenses) that are not well controlled.
- It helps to ensure that cash is available for essential payments.

1

4.1.2 The prepaid portion of the insurance premium is shown in the Cash Budget.

ONE reason ✓ accept short answers

The Cash Budget must include all cash payments payable in the budget period, irrespective of the financial year.

1

4.2.1 Debtors' collection schedule for September 2024.

MONTHS	CREDIT SALES R	JULY R	AUGUST R	SEPTEMBER R
May	**135 000**	**33 750**		
June	**139 500**	**41 850**	**34 875**	
July	**144 000**	**57 600**	**43 200**	36 000 ✓
August	**153 000**		**61 200**	45 900 ✓
September	159 750 ✓		If 40% of Sept	63 900 ☑☑
Collection from debtors			**139 275**	145 800 ☑*

6

4.2.2

	WORKINGS	ANSWER
(a)	**Rent income:** 19 980 x 100/92,5 **1**	21 600 ✓ no part marks
(b)	**Cash purchases of stock:** 159 750 x 2 = 319 500 x 100/180 177 500 ☑✓ x 25% ✓ **OR** (159 750 x 2) x 100/180 x 25% Two marks one mark **4**	44 375 ☑* one part correct
(c)	**Payment to creditors:** 153 000 x 2 = 306 000 x 100/180 (170 000☑✓ x 75%✓) x 95% ✓ 136 000 **OR** one mark one mark one mark (42 500/25 x 75) x 95% 127 500 **5**	121 125 ☑* one part correct
(d)	**Repayment of loan** (2 800 – 2 450) 350 ✓ x 12 ✓ **OR** 240 000 – 210 000 14% ✓ one mark one mark one mark $\frac{350}{1}$ x $\frac{12}{1}$ x $\frac{100}{14}$ **4**	30 000☑* one part correct
(e)	**Printers' lease contract** (R8 200 x 2) + (16 400 x R0,12) 16 400 ✓ + 1 968 ✓ + 5 128✓ = 23 496 Three marks 23 496/12 ✓ **5**	1 958 ☑* one part correct

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4.2.3 **The owner is considering purchasing two new printers in September. He wants advice on whether he should go ahead with the purchase of these printers or renew the lease agreement. Quote figures to support your answer.**

Figures ✓✓ (see 4.2.2)

- Purchasing printers will cost R22 008 where as the leasing will cost R23 496.
- Purchasing of the two printers may seem cheaper (R1834) over a year but leasing includes maintenance and printing costs.

ONE valid reason ✓✓ part marks for incomplete/partial/unclear answers

- Owning the printers can add extra expenses such as ink, insurance and the responsibility of someone maintaining them.
- Due to the frequent technological innovations in printers, they will soon be outdated, and the business will not recover their costs if selling them.

4

4.2.4 **Comment on the items listed, as specified in the table provided in the Answer Book. Quote figures.**

	EXPLANATION/REASON (with FIGURES)
Deviation in Sales figures ✓✓ explanation ✓ figures	Sales lower than budgeted by R73 800 (25,6%) Drastic drop in cash sales (R70 200; 48,8%); slight drop in credit sales R3 600; 2,5%. Economic factors cause people to buy more on credit.
Effectiveness of Advertising ✓✓ explanation ✓ figures	Spent R420 more than budgeted, R20 160; 2%; but it was not effective as sales dropped by 25,6%/Although a small variance, it did not result in high sales.
Control over the Delivery Expenses ✓✓ explanation ✓ figures	Although the amount spent is less than budgeted by 3 760, sales dropped by 25,6%, which increased by 3,9%/Delivery expenses are budgeted at 16,5 % of sales; the actual is 20,4 % of actual sales.

9

TOTAL MARKS
40

TOTAL: 150

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