GAUTENG PROVINCE
EDUCATION
REPUBLIC OF SOUTH AFRICA

PREPARATORY EXAMINATION

2020

MARKING GUIDELINES

ACCOUNTING P2 (10712)

MARKING PRINCIPLES

1. Penalties for foreign items are applied only if the candidate is not losing marks elsewhere in the question for that item (no penalty for misplaced items). No double-penalty is applied.
2. Penalties for placement or poor presentation (e.g. details) are applied only if the candidate is earning marks on the figures for that item.
3. Full marks for correct answer. If the answer is incorrect, mark the workings provided.
4. If a pre-adjustment figure is shown as a final figure, allocate the part -mark for the working for that figure (not the method mark for the answer).
5. Unless otherwise indicated, the positive or negative effect of any figure must be considered to award the mark. If no + or – sign or bracket is provided, assume that the figure is positive.
6. Where indicated, part-marks may be awarded to differentiate between differing qualities of answers from candidates.
7. Where penalties are applied, the marks for that section of the question cannot be a final negative.
8. Where method marks are awarded for operation, the marker must inspect the reasonableness of the answer and at least one part must be correct before awarding the mark.
9. In awarding method marks, ensure that candidates do not get full marks for any item that is incorrect at least in part.
10. Be aware of candidates who provide valid alternatives beyond the marking guideline.
11. Codes: F = foreign item; P = placement/presentation.
12. This memorandum is not for public distribution, as certain items might imply incorrect treatment. The adjustments made are due to nuances in certain questions.

11 pages

QUESTION 1: RECONCILIATION AND VAT **(35 marks; 30 minutes)**

1.1.1 **Identify the items that must be entered in the CRJ.**

Candidates may provide item no. or description or amount to earn marks.

Item 3 / Commission income / R10 000 ✓
Item 5 / Interest income / R410 ✓
Item 8 / Cancelled cheque / R5 000 ✓
Item 12 / Fraudulent entry / R88 ✓

-1 foreign item, max - 1

4

1.1.2 **Identify the items that must be entered in the CPJ.**

Candidates may provide item no. or description or amount to earn marks.

Item 4 / Bank charges / R1 070 ✓
Item 6 / Dishonoured cheque / R3 800 ✓
Item 8 / EFT replacement of cheque / R6 000 ✓

Ignore Item 12 for R44 (not a foreign item)

-1 foreign item, max - 1

3

1.1.3 **Prepare the Bank Reconciliation Statement on 30 June 2020.**

Bank Reconciliation Statement on 30 June 2020

	Debit	Credit
Balance as per bank statement		**60 096**
Outstanding deposit		37 200✓
Outstanding cheques:		
No. 7747 (dated 31 July 2020)	136 000✓	
Outstanding EFTs:		
Item 8 (status pending)	6 000✓	
Item 11	15 400✓	
Fraudulent entry to be corrected (44 x 3)		132✓✓
Balance as per bank account missing figure		59 972 ☑ can also be debit
	157 400	**157 400**

-1 foreign entries, max - 1 and/or -1 poor presentation, max -1

7

1.1.4 **Explain how the business must handle item 9.**

Any Reasonable explanation ✓✓ (one mark for incomplete answer)

- It's a post-dated cheque received – it should not be deposited on receipt of the cheque
- It should be recorded in a register of post-dated cheques received, and safeguarded in a safe place until due date for depositing.

2

1.1.5 **In your opinion, was it wise of Woodmead Traders to invest R100 000 on fixed deposit on 15 June 2020? Explain your answer. Quote specific figures or details from the question to support your answer.**

Any Reasonable opinion ✓✓ figure (s) ✓ (one mark for incomplete answer)

No, it was not a wise decision because Bank overdraft will exist next month when the post-dated cheque of R136 000 is presented.

OR

Interest on fixed deposit is lower than interest on overdraft

OR

Possibility of cash flow problems: (59 972 + 136 000) = 195 972 overdraft

see 1.1.3

If candidates calculate a positive bank balance, they may get marks for a YES answer and a valid reason.

3

1.2 **VAT**

1.2.1 **Calculate the amounts marked (A) to (C).**

	Workings	Answer
(A)	138 000 x 15/115	18 000 ✓✓
(B)	138 000✓ x 25/75✓ x 15/115✓ 46 000 two marks **OR** 120 000 x 25/75 X 15/100 40 000 two marks **OR** 18 000 x 25/75 Mark one line only.	6 000 ☑ **one part correct**
(C)	6000 x 15%	900 ✓

7

1.2.2 **Calculate the VAT amount payable to/receivable from SARS on 29 February 2020. Indicate if the amount will be recorded under the current assets or current liabilities in the Balance Sheet.**

*☑✓ ✓ ☑ ☑✓

(15 360 + 23 040 + 900 + 1 800) – (576 + 2 304) – (18 000 + 6 000) = 14 220

see 1.2.1 c **see 1.2.1 a & b** one part correct

OR

*☑✓ ✓ ✓ ☑✓

41 100 – 2880 – 24 000 = 14 220

26 880 two marks

Current liabilities ✓ **Do not accept Assets (irrespective of workings). Accept ledger account.**

***☑ at least two amounts included in bracket**

7

1.2.3 **Give TWO reasons for the entry of R576 on the debit side of the account.**

TWO reasons ✓ ✓

- Bad debts
- Discount allowed

2

MARKS
35

QUESTION 2: MANUFACTURING **(40 marks; 30 minutes)**

2.1

2.1.1 Calculate the value of the closing stock of raw materials.

3 600 x 168 = 604 800 ✓☑
3 200 ☑ x 173 ✓ = 553 600
6 800 – figure above = 1 158 400 ☑

5

2.1.2 Calculate the raw material cost issued for production

388 800✓ + 5 154 800✓ – 1 158 400☑ = 4 385 200 ☑ one part correct
See 2.1.1

OR

388 800 ✓+ 1 782 000 ✓+ 2 214 400 ✓= 4 385 200 ☑ one part correct

4

2.1.3 Calculate the direct labour cost.

Must be 1% of ANS
10 x 1 920 x 25 = 480 000 ✓ + 4 800 ☑ = 484 800 ☑ one part correct

560 x 50 = 28 000✓✓

20 000 + 200 = 20 200 ✓☑ one part correct

= 533 000 ☑ one part correct

8

2.1.4 PRODUCTION COST STATEMENT ON 30 SEPTEMBER 2020

Direct material cost See 2.1.2	4 385 200 ☑
Direct labour cost See 2.1.3	533 000 ☑
Prime cost operation must add	4 918 200 ☑
Factory overhead costs (252-22) = 230 ✓ x 16 160 ✓	3 716 800 ☑
Total manufacturing cost operation must add	8 635 000 ☑
Work in process at the beginning	60 000 ✓
	8 695 000 ☑
Work in process at the end	(20 000) ✓
Total cost of production of finished goods	8 675 000 ☑

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2.2

2.2.1 **Explain why it is necessary to calculate the break-even point each year. Provide TWO reasons.**

- To plan levels of production in order to be profitable/determine production level problems ✓✓
- To determine the minimum units to produce to cover all costs ✓✓

4

2.2.2 **Provide a calculation to prove that the break-even point is 3 998 units.**

109 945 ✓✓
87,50 ✓ – 60 ✓

= 3 998 units

4

2.2.3 **Should Mischka be concerned about the break-even point for 2020?**

Comparison ✓ Figures ✓ Profit/Loss ✓
Yes ✓

- 2 000 units produced which is less than the BEP of 3 998, therefore a loss is being made (1 998 units).
- The BEP has increased by 2 248 units while the number of units produced increased by 500 units.

4

MARKS
40

QUESTION 3: INVENTORY AND FIXED ASSETS (45 marks; 35 minutes)

3.1 TALLIES LTD

Ignore brackets in final answer

	Workings	Answer
(A)	460 000 x 15/100 x 9/12 = 51 750 ✓ 20 000 ✓ – 1 ✓= 19 999 ✓	R71 749 ☑ Operation, one part correct
(B)	(1 200 000✓ – 350 000✓) x 20/100 x 12/12 850 000 two marks	R170 000☑ Operation, must be multiplied by 20%
(C)	refer (c) 850 000✓ – 170 000☑ – 600 000✓ (1 200 000 – 350 000) one mark for both	R80 000☑ Operation, one part correct

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3.2.1 CASES FOR PLACES

Calculate the value of closing stock on 29 February 2020.

823 410 six marks
815 170 three marks
789 130 two marks 746 090 three marks
(2 584 x 20) (60 x 290)

$$\frac{25\,640\checkmark + 763\,490\checkmark + 51\,680\checkmark\checkmark - 17\,400\checkmark\checkmark}{2\,614\ \checkmark\checkmark} \times 194\ \checkmark$$

(90 + 2 584 – 60)

$\frac{823\,410}{2\,614}$ six marks / two marks

Eight marks One mark

= 315 x 194

= 61 110 ☑ one part correct; must be multiplied by units

10

3.2.2

Calculate the cost of sales.

(25 640 + 763 490– 17 400 + 51 680)

823 410 ✓ – 61 110 ☑
see 3.2.1

= 762 300 ☑ one part correct

3

Calculate the gross profit.

1 089 000 ✓ – 762 300 ☑ = 326 700 ☑ one part correct
see above

3

Calculate the average stock-holding period (in days).

43 375 three marks
see 3.2.1

½ ✓ (25 640✓ + 61 110 ☑) x 365 = 20,8☑days one part correct.
762 300 ☑ see above accept 21 days. Must be multiplied by 365

Use of numerator & denominator must be correct

5

3.2.3

Should the owner be satisfied with the stock-holding period calculated above? Explain. Quote figures. NOTE: The stock-holding period for 2019 was 65 days.

Yes / No ✓ depends on calculation above; if no calculation no mark; also must not contradict explanation below

Trend/Explanation ✓ and figure ✓

- The stock holding period decreased from 65 to 21 days / by 44 days see 3.2.2

Responses for one mark:

- Improve sales – cash flow
- Prevents stock piling
- Stocking the latest products

3

3.3 FIT & SLIM

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

	Problem ✓ ✓ ✓ **figures✓ ✓ ✓**	**Possible solution✓ ✓ ✓** One per item
Gym Towels	120 + 5 600 – 4 800 = 920 – 810 = 110 missing **OR** Loss of sales= R4 950	• Internal control measures to safeguard the stock e.g. Security tags, display close to paying point, physical stock-taking on a continuous basis
Golf caps	840 x R125 = R105 000 R100 000 – R105 000 = R5 000 cash missing	• Investigate and apply disciplinary measures. • Check at exit that the payment for the caps appears on the receipt/invoice. • Check money before banking. • Division of duties • Hire a security company to transport cash to the bank.
T-shirts	Too much stock on hand, 215 days	• Revisit sales policy and implement measures to encourage sales, e.g. promotions/advertising. • Discontinue selling T-shirts since sales are low. • Purchase these goods according to order.

9

MARKS
45

QUESTION 4 **(30 marks; 25 minutes)**

4.1 **Identify TWO items which should not appear in this cash budget.**

Any of the two ✓ ✓

- Discount received
- Total cost of sales
- Loss on sale of an asset
- Depreciation
- Credit purchase of stock

2

4.2 **Debtors' Collection Schedule for July and August 2020**

MONTH	CREDIT SALES	JUNE	JULY	AUGUST
May 2020	**89 000**	**35 600**	**22 250**	
June 2020	**72 000**	**21 600**	28 800 ✓	**18 000**
July 2020	76 000✓		**22 800**	**30 400**
August 2020	**69 000**			20 700 ✓
Cash from debtors		**57 200**	73 850**	69 100**☑

4

**both figures ☑

4.3

4.3.1 **Explain why the owner is concerned. Give TWO reasons with supporting figures.**

Explanation✓ ✓ figures ✓ ✓

- Actual amount from debtors in June (R52 500) is less than the budgeted amount of (R57 200) or by (R4 700).
- Credit terms are 30 days but records shows that only 39% are meeting the credit terms **OR** 61% of debtors take 60 days or more to pay.

4

4.3.2 **Suggest ONE measure that he could introduce to improve the situation.**

Expected responses ✓✓ Part marks can be awarded for partial answers.

- Offer discounts to encourage early/prompt payments
- Charge interest on overdue accounts
- Proper screening of debtors to ensure that they are able to pay their debts promptly.
- Send regular reminders

2

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4.4.1

	Workings	Answer
(a)	(23 700 /3) ✓= 7 900✓ x 2✓ **(4)**	R15 800 ☑ one part correct
(b)	4 000 x 90/100 **(2)**	R3 600 ✓ ✓
(c)	27 000 x 1/3 = 9 000 27 000 + 9 000 **(2)**	R36 000 ✓✓

8

4.4.2

The interest on loan amount expected to be paid in August 2020

26 500 ✓ x 6/106 ✓ ✓ = 1 500 ☑ one part correct

4

4.4.3

Mark-up percentage obtained for the year ended 30 May 2020

625 000 ✓ x 100 = 50% ☑ one part correct
1 250 000 ✓

3

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4.5

Comment on which the change in mark-up was a good decision or not. Show relevant figures to support your answer.

Expected responses ✓✓✓ Part marks can be awarded for partial answers.

- The gross profit decreased from R630 000 in 2019 to R625 000 in 2020.
- Although sales increased, the gross profit decreased by R5 000.
  (must mention increase in sales but decrease in profits to earn 3 marks)

3

MARKS
30