FINAL

KWAZULU-NATAL PROVINCE

EDUCATION
REPUBLIC OF SOUTH AFRICA

ACCOUNTING

MARKING GUIDELINE

MARCH 2022

COMMON TEST

NATIONAL SENIOR CERTIFICATE

GRADE 12

MARKS: 100

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 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 answer incorrect, mark the workings provided.
4. If a pre-adjustment figure is shown as the final figure, award one mark. Not the method mark for the answer. Note: if figures are stipulated in memo for components of workings, these do not carry the method for final 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 before awarding the mark.
9. Operation' means 'Check operation'. 'One part correct' means 'Operation & one part correct'. Note: check operation must be +,-,x,÷, or per candidates operation.
10. In awarding method marks, ensure that candidates do not get full marks for any item that is incorrect, indicate with a ☒. Note: do not award marks for workings if numerator and denominator are swapped-this also applies to ratios.
11. Be aware of candidates who provide valid alternatives beyond the marking guideline.
12. Codes: f=foreign item; p=placement.

This memorandum consists of 5 pages

QUESTION 1

1.1 INCOME STATEMENT FOR THE YEAR ENDED 28 FEBRUARY 2022.

	Sales (15 520 000✓ – 75 000✓)		15 445 000✓
	Cost of sales		(9 700 000) ✓
5	Gross profit	Operation	5 745 000☑
	Other operating income	Operation	33 000☑
	Bad debts recovered (15 700✓ + 3 000✓)		18 700✓
	Trading stock surplus (1 200 000 – 45 000 – 1 160 000)		5 000✓☑
	Provision for bad debts adjustments (45 000 – 39 700)		5 300✓☑
	Profit on sale of an asset		4 000✓
9	**Gross income**		5 778 000
	Operating expenses	operation	(2 689 000) ☑
	Salaries (1 049 300 - 14 000✓)		1 035 300✓
	Employers contributions (81 000 - 3 900✓)		77 100✓
	Bad debts (25 000 + 1 200✓)		26 200✓
	Packing material (78 000 – 9 000✓)		69 000✓
	Advertising (57 500 – 4 300✓)		53 200✓
	Directors fees		849 000✓
	Audit fees		150 300✓
	Sundry expenses	Operation/Balancing figure	345 150☑
	Stock destroyed by fire		9 000✓
20	Depreciation (24 500✓ + 41 250✓ + 7 200✓ + 1 800✓)	Operation	74 750☑
	Operating profit	20% of Sales	3 089 000☑
	Interest income		72 000✓
	Operating profit before interest expenses	operation	3 161 000☑
	Interest expenses		**(204 000)**
	Net profit before taxation	operation	2 957 000☑
	Taxation		(887 100) ✓
6	Net profit after taxation	operation	2 069 900☑

40
40

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QUESTION 2

2.1 RETAINED INCOME

Balance at the beginning of the year (2 300 000✓ + 150 000✓)		2 450 000✓	
Net profit after tax(510 000✓ + 190 000✓)72/28✓		1 800 000✓	
Buy back of shares (30 000✓ x 5✓)	One part correct	(150 000) ✓	
Dividends	One part correct	(2 221 000) ☑	
Paid		800 000 ✓	
Final (2 030 000✓ X 0.70✓)		1 421 000 ✓	
Balance at the end of the year	One part correct	1 879 000☑	16

2.2 STATEMENT OF FINANCIAL POSITION ON 28 FEBRUARY 2022.

ASSETS			
NON CURRENT ASSETS	TA – CA	11 715 900☑	
Fixed assets	Operation one part correct	11 315 900☑	
Fixed deposit		400 000✓	3
CURRENT ASSETS	Operation one part correct	3 918 100☑	
Inventory (780 000✓ – 160 000✓)		620 000✓	
Trade and other receivables (820 000✓ + 25 000✓ + 15 000✓)		860 000✓	
Cash and cash equivalent		2 438 100✓	
TOTAL ASSETS	TE + L	15 634 000☑	10
EQUITY AND LIABILITIES			
SHAREHOLDERS EQUITY	(620 X 2 030 000) / 100	12 586 000☑	
Ordinary share capital	Operation one part correct	10 707 000☑	
Retained income	See 2.1	1 879 000☑	
NON CURRENT LIABILITIES		700 000	
Loan (900 000✓ – 200 000✓✓) 480 000 – 280 000		700 000☑	7
CURRENT LIABILITIES	Operation one part correct	2 348 000☑	10
Trade and other payables (666 000✓ + 16 000✓ – 160 000✓+ 15 000✓)		537 000✓	
SARS – income tax		190 000✓	
Shareholders for dividends		1 421 000✓	
Current portion of loan	See CL	200 000☑	
TOTAL EQUITY AND LIABILITIES	Operation one part correct	15 634 000☑	30

TOTAL MARKS
46

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QUESTION 3

3.1.1 **Solvency ratio**

18 685 950✓ : 5 635 200✓
3.31 : 1☑
Accept 3.3 : 1
If superfluous items added in workings, but answer is still the same, penalise on answer

3
3

3.1.2 **Debt-equity ratio**

5 000 000✓ : 10 050 750✓
0.49 : 1☑
If superfluous items added in workings, but answer is still the same, penalise on answer
Accept 0.5 : 1

3
3

3.2 **The directors are pleased that the operating efficiency of the business has improved. Quote and explain TWO financial indicators to support their opinion.**

TWO valid indicators with figures and trends ✓ ✓

Operating expenses on sales have decreased from 32% to 25% which indicates better control of expenses.

Operating profit on sales has increased from 15.8% to 22% because, apart from the better control over expenses, there has been a slightly higher mark-up % applied as well.

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2

3.3 **The liquidity of the company has improved. Quote THREE financial indicators to support this statement.**

THREE valid indicators with Figures and trends ✓ ✓ ✓

Current ratio – 0,3 : 1 to 1,6 : 1
Acid-test ratio – 0,1 : 1 to 0,7 : 1
Debtors' collection period – 43 days to 36 days

Do not accept creditors' payment period , debtors collection period and stock turnover rate
If more than three indicators shown, -1 for superfluous / foreign indicator; max -2

3
3

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3.4.1	**What type of audit opinion is provided by the independent auditor?** Disclaimer✓	1 1
3.4.2	**To whom is the audit report addressed?** Shareholders✓	1 1
3.4.3	**What is the responsibility of the directors with regards to the audit report?** The directors are responsible for the preparation and presentation of the financial statements in accordance with IFRS✓	1 1

TOTAL MARKS
14
14

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