GAUTENG PROVINCE
EDUCATION
REPUBLIC OF SOUTH AFRICA

JUNE EXAMINATION
GRADE 12

2023

MARKING GUIDELINES

ACCOUNTING

(PAPER 2)

13 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. 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 that 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. Where penalties are applied, the marks for that section of the question cannot be a final negative.
9. Where method marks are awarded for operation, marker must inspect reasonableness of the answer.
10. Operation means 'check operation'. 'One part correct' means operation and one part correct. Note: check operation must be +, -, x, ÷, or per memo.
11. In calculations, do not award marks for workings if numerator & denominator are swapped – this also applies to ratios.
12. 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 ☒.
13. Be aware of candidates who provide valid alternatives beyond the marking guideline. Note that one comment could contain different aspects.
14. Codes: f = foreign item; p = placement/presentation.

QUESTION 1

1.1 CONCEPTS

1.1.1	Bank Reconciliation Statement ✓
1.1.2	Debit order ✓
1.1.3	Internal ✓

3

1.2 MOUNTAIN TRADERS

1.2.1 Calculate the correct bank account balance in the General Ledger on 30 April 2023.

CASH RECEIPTS JOURNAL	CASH PAYMENT JOURNAL
R112 850	**R125 128**
R3 000 ✓✓ *(R18 700 – R15 700)*	R5 000 ✓✓ *(R29 800 – R24 800)*
R39 744 ✓✓	R4 800 ✓
R56 000 ✓✓	R22 500 ✓
	R3 500 ✓
	R650 ✓
	R600 ✓
	R180 ✓
R211 594	R162 358

Opening balance: R16 800 + R29 800 - R8 750 – R18 700 – R44 800
= -R25 650
-R25 650 ✓✓ + R211 594☑ - R162 358☑ = R23 586 favourable

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1.2.2 Bank Reconciliation Statement on 30 April 2023

	DEBIT	CREDIT
Balance as per Bank Statement		✓ 46 548
Outstanding deposit 29 April *balancing figure*		☑33 923
Outstanding EFTs: 301	✓ 1 285	
309	✓ 12 800	
Credit amount incorrectly debited		✓ 2 200
Debit amount incorrectly credited	✓✓ 45 000	
Balance as per Bank account	☑23 586	
	82 671	82 671

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1.2.3 The internal auditor is concerned about the management of cash in the business.

Explain TWO different problems to justify his concern. Quote figures and dates.

Any TWO valid responses:
Problem: Theft ✓ Rolling ✓
Figures or date ✓✓

- Rolling/late deposits of cash: Outstanding deposit on 17 March only deposited on 28 March.
- Theft/lack of internal control: Outstanding deposit on 20 March was deposited on 1 April but R5 000 is missing. The payment to Susan's WIFI account.

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Give advice on how such problems can be avoided in future. Provide TWO points.

Any TWO valid responses: ✓✓

- Deposits must be made daily.
- Request notification from the bank for all transactions.
- Division of duties/one person serves as a check on another.
- Check bank statements promptly.
- Use security companies to collect cash.
- Ask customers to pay by EFT.
- Background checks/police clearance on staff.

2

1.3 CREDITORS' RECONCILIATION

1.3.1

	Creditors' Ledger	Creditors' Reconciliation Statement
Balance	**R66 255**	**R58 200**
A	✓✓ (R625)	
B	✓✓ R630	✓ (R1 870)
C	✓ (R10 200)	✓ (R10 200)
D		✓✓ R1 800
E		✓ R2 150
F	*(R9 400 + R4 900)* ✓✓ (R14 300)	
G	✓ R4 850	
H		✓✓ (R3 470)
#☑	R46 610	R46 610

#☑If totals are the same
-1 per line if written in both columns except B and C. Must earn a mark before you deduct a mark. And F not -1 if 9 400 and 4 900 in different columns. Just mark wrong.

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1.3.2(a) **Suggest ONE possible action that the business can take against the employee.**

Any ONE valid points ✓✓
Award part-mark for unclear/incomplete explanation

- Open a criminal case./Take legal action.
- Deduct the amount from his salary.
- Subject the employee to a disciplinary hearing.
- Give a written warning.
- Suspend the employee pending the outcome of the hearing.
- Dismiss the employee due to his misconduct.

2

1.3.2(b)	**Suggest ONE internal control procedure to prevent this from happening in the future.** Any ONE valid point ✓✓ *Award part-mark for unclear/incomplete explanation* • Division of duties/one person check orders, the other receives stock. • Proper authorisation of orders. The invoice must be signed by the manager/owner to indicate that permission was given to order goods. • Stock records to be updated with every invoice. • Regular stock counts to compare to records.	2

TOTAL MARKS
55

QUESTION 2

2.1 CONCEPTS

2.1.1	C ✓
2.1.2	D ✓
2.1.3	A ✓

3

2.2 CLIP PRODUCERS

2.2.1 Direct material cost

Opening stock	**90 000**	
Net purchases (467 800 – 62 000 ✓✓)	405 800	☑
Carriage on purchases (2 500 x 16)	40 000	✓✓
Custom duties (467 800 x 15%)	70 170	✓✓
	605 970	
Closing stock	(78 360)	☑
Direct material cost	527 610	✓

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2.2.2 Factory overhead cost

Depreciation on factory equipment	**71 700**		
Indirect material (26 730 + 97 000 - 18 730) x 85%	89 250	✓✓	
Loss due to floods (43 400 x 30 ÷ 70) of (62 000 *see 2.2.1* – 43 400)	18 600	☑	
Indirect labour (2 050 x 2 x 52 = 213 200 ✓ + 42 640☑) x 3 ÷ 5)	153 504	☑	
Factory foreman (504 000 ÷ 3)	168 000	✓	
Water and electricity (68 900 x 75%)	51 675	✓	
Rent expense (228 800 + 22 880 ✓✓) x 750 ÷ 1 000)	188 760	☑	
Insurance (48 000 x 6 ÷ 4 = 72 000 x 2 ÷ 4)	36 000	✓☑	
	777 489		**13**

2.2.3 Production Cost Statement for the year ended 28 February 2023.

Direct material cost	527 610	✓	
Direct labour cost (9 100 x 8 x 12 = 873 600 ✓ + 115 200 ✓)	988 800		
Prime cost	**1 516 410**		
Factory overhead cost	777 489	☑	
Total manufacturing cost	**2 293 899**		
Work-in-progress – beginning of the year	46 000	✓	
	2 339 899		
Work-in-progress – end of the year	(57 724)	☑	
Cost of production of finished goods (68 750 + 3 200 – 5 800 = 66 150 ✓ x R34,50 ✓)	**2 282 175**		**8**

2.3 SPARKLING MANUFACTURES

2.3.1 Proof that the breakeven point is correct.

$$\therefore \text{BEP} = \frac{\text{R3 892 000}}{(\text{R6 500} - \text{R2 780}) \checkmark \times \text{1 400} \checkmark}$$

$$= \text{R4 220} \checkmark$$

$$\therefore \text{BEP} = 922{,}3 \text{ units}$$

$$= 923 \text{ units}$$

3

2.3.2 Lerato is worried about the performance of the business due to increased loadshedding since 2022 and a new competitor and the impact it has on her profit.

Do you think Lerato needs to be concerned? Motivate your answer by quoting figures to support your answer.

Compare the BEP with Units produced and sold ✓ Figures ✓
Compare the units produced and sold with previous year ✓ Figures ✓
No marks if only BEP compared with BEP.

- Yes
- Although the BEP decreased from 1 063 units in 2022 to 923 units in 2023, decreased by 140 units (13,2%) the business did not make more profit. Profit decreased instead of increased due to fewer units produced and sold. Decreased by 300 units.
- The number of units produced and sold decreased from 1 700 units in 2022 to 1 400 units in 2023./Decreased by 300 units (17,6%).
- The business is still making a profit but the profit decreased from 637 units in 2022 to 477 units in 2023/by 160 units (25,12%).

OR

The profit decreased from R2 646 735 (R4 155 x 637) in 2022 to R2 012 940 (R4 220 x 477)/by R633 795 (23,95%).

- The revenue from sales decreased from R10 540 000 (R6 200 x 1 700) to R9 100 000 (R6 500 x 1 400)/by R1 440 000.

4

TOTAL MARKS
40

QUESTION 3

3.1 CONCEPTS

3.1.1	True ✓
3.1.2	False ✓
3.1.3	True ✓

3

3.2 LEATHER CITY

3.2.1 Calculate the following for the year ended 31 March 2023:

Value of closing stock		
ITEM	**WORKINGS**	**ANSWER**
Basic **OR**	R540 000 ✓ + R5 265 000 ✓ – R5 580 000 ✓(372 x R15 000) 387 (36 + 351) – 372 one mark one mark = 15 x R15 000 one mark	R225 000☑
Elite **OR**	R414 000 ✓ + R4 393 000 ✓ – R184 000 ✓– R4 117 000 ✓ (179 x R23 000) 201 (18 + 191 -8) – 179 two marks one mark = 22 x R23 000 one mark	R506 000☑
TOTAL		**R731 000☑**

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Cost of sales	
WORKINGS	**ANSWER**
(22 150 x 8) R954 000 ✓ + R9 658 000 ✓ – R177 200 ✓✓ – R731 000☑ *see above*	R9 703 800☑

6

Gross profit	
WORKINGS	**ANSWER**
R15 124 600 ✓ – R9 703 800☑	R5 420 800☑

3

3.2.2 Calculate the average stock holding period for the Elite range.

Closing stock: 18 + 191 – 8 – 179 = 22 units *(see 3.2.1)*

$$\frac{\text{½ ✓(18 ✓ + 22 ✓✓)}}{179} \times \frac{20}{365}$$

= 40,8 days ☑

OR

$$\frac{\text{½ (414 000 ✓+ 506 000☑) } \textit{see 3.2.1}}{\text{4 123 800 ✓✓}} \times \frac{460\,000}{365}$$

=40,8 days ☑

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3.2.3 The CEO is satisfied with the performance of the Basic range compared to the Elite range. Give THREE reasons to justify his satisfaction. Quote figures or calculations to support your answer.

Reason ✓✓✓ Figures ✓✓✓

REASON 1 *Stock holding period*	The stock holding period improved from 25,3 days in 2022 to 14,7 days in 2023. Stock is selling faster in 2023 compared to 2022.
REASON 2 *Returns*	The Basic range has no/0 returns to the suppliers compared to the Elite range which has 7 in total. This indicates good quality from the suppliers.
REASON 3 *% Gross profit on cost of sales*	Although the aimed mark-up was not achieved, 96,1% of the Basic range were sold compared to only 89,1% of the Elite range. Offering trade discounts to customers did have a positive effect. The gross profit on the Basic range is R2 957 400 which is more compared to the Elite range at R2 463 400.

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3.2.4 During the physical stock count, it was discovered that 55 pillows are missing. This must be written off. Calculate the value of the pillows that must be written off.

Weighted average price: $\frac{632\ 135\ ✓}{1\ 565\ ✓}$ = R403,92

55 units ✓ x R403,92 ☑= R22 215,60☑
Also accept R22 216

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3.2.5 The owner is of the opinion that changing the method of valuating the stock from weighted-average method to FIFO will be more beneficial to the business. Provide a reason to support this change if SARS grants permission to change.

✓✓
It is more realistic as stock will be valued at the most recent prices. The average price is R403,92 but the most recent purchase price is R430.

2

TOTAL MARKS
40

QUESTION 4

4.1 Identify ONE problem regarding each helicopter/pilot. Quote figures to support your answer. Give ONE point of advice for EACH problem identified.

	Problem with figures Problem✓✓✓ Figures ✓✓✓	**Advice** ✓✓✓
Helicopter 1: Blue Island	• The helicopter is the oldest. The book value is R300 000. The carrying value will be R1 in 2024. • Most expensive per km. Petrol cost per km is R3,90, 90c more per km compared to the other two helicopters. • Oldest helicopter and making more trips than Green Island per day.	• Consider replacing the helicopter, it is more expensive to maintain.
Helicopter 2: Red Island	• 3 180 trips made x 50 km should travel 159 000 km but actually travelled 164 300 km. • Travelled 5 300 km more. • 106 extra trips done (3 286 – 3 180). • Spending R15 900 more on fuel (R492 900 – R477 000 and R63 600 (R1 971 600 – R1 908 000) on maintenance. • Loss of income is R890 400 (106 x 3 x R2 800)./Should have 9 858 customers but actually had 9 540 only.	• Possible disciplinary action against John for unauthorised use of helicopter./Improve internal control over the use of the helicopter.
Helicopter 3 Green Island	• Masego is paid the most (R42 000 per month) but works the least – takes too much time off. Was absent for 66 days. • 1 480 trips x 50 km = 74 000 km but actually travelled 75 000 km. The owner travelled 1 000 km for personal use. • Least number of trips per day. On average 8 trips per day compared to 10 and 12 respectively.	• Investigate the reason for absenteeism./Masego must take unpaid leave if he exceeds 14 days per year without a reason. • The personal km travelled by the owner should be recorded as drawings and not as a business expense. • If Masego is absent, Susan should use Green Island. It is cheaper.

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4.2	Nixon asked you, as the internal auditor, to keep the personal trips as a business expense and not as a personal expense.	
4.2.1	Explain to Nixon which GAAP principle is applied in showing this as drawings and not as a business expense.	
	Business entity principle ✓	1

4.2.2	What will the consequences be for the company if it is shown as a business expense?	
	One consequence ✓✓ • Unethical • This is regarded as tax evasion. The income tax will be calculated incorrectly. • The profit will be calculated incorrectly	2

4.3	Lerato would like to purchase the Blue Island helicopter at the beginning of 2024 for R270 000.	
4.3.1	Should the company be satisfied with the price offered? Quote figures to support your answer.	2
	Comment ✓ figures ✓ No R270 000 is below the book value of R300 000, this will be shown as a loss on disposal of asset.	

4.3.2	What procedure would you advise them to have in place before any asset of the business can be sold?	
	Tender procedure should be in place and open to the public to tender. ✓	1

TOTAL MARKS
15

TOTAL: 150