



# basic education

Department:  
Basic Education  
**REPUBLIC OF SOUTH AFRICA**

**NATIONAL  
SENIOR CERTIFICATE**

**GRADE 12**

**ACCOUNTING P2**

**SEPTEMBER 2021**

**MARKS: 150**

**TIME: 2 hours**

**This question paper consists of 14 pages,  
a formula sheet and a 10-page answer book.**

**INSTRUCTIONS AND INFORMATION**

Read the following instructions carefully and follow them precisely.

1. Answer ALL questions.
2. A special ANSWER BOOK is provided in which to answer ALL questions.
3. Show ALL workings to earn part-marks.
4. You may use a non-programmable calculator.
5. You may use a dark pencil or blue/black ink to answer questions.
6. Where applicable, show ALL calculations to ONE decimal point.
7. If you choose to do so, you may use the Financial Indicator Formula Sheet attached at the end of this question paper. The use of this formula sheet is NOT compulsory.
8. Write neatly and legibly.
9. Use the information in the table below as a guide when answering the question paper. Try NOT to deviate from it.

QUESTION	TOPIC	MARKS	MINUTES
1	Manufacturing	45	35
2	Debtors' Reconciliation and VAT	40	30
3	Stock Valuation	30	25
4	Budgeting	35	30
<b>TOTAL</b>		<b>150</b>	<b>120</b>

**KEEP THIS PAGE BLANK.**



**QUESTION 1: MANUFACTURING****(45 marks; 35 minutes)**

- 1.1 Choose the cost item in the list provided that matches the example below. Write only the cost item next to the question numbers (1.1.1 to 1.1.3) in the ANSWER BOOK.

indirect labour; direct labour; direct materials; indirect materials

1.1.1 Cleaning materials used in the factory




1.1.2 Salary of the factory foreman

1.1.3 Cost of the raw materials used in the production process (3 x 1) (3)

1.2 **AFRESH CREATIONS**

Afresh Creations manufacture one type of bath towels. The financial year ended on 29 February 2020.

**REQUIRED:**

- 1.2.1 Calculate the direct material cost. (4)
- 1.2.2 Prepare the Production Cost Statement for the year ended 29 February 2020.  (18)
- 1.2.3 **Refer to Information C.**

Normal time for all workers is 40 hours per week. The information provided in James' job card for the last week is a reflection of his attendance over the financial year.

Identify TWO concerns regarding the above situation. Also provide ONE suggestion to address the concerns identified. (6)

**INFORMATION:****A. Stock balances:**

	29 FEBRUARY 2020	1 MARCH 2019
Raw material stock	R 314 500	R 115 200
Work-in-progress stock	?	53 500

**B. Extract from the records on 29 February 2020:  
(See Information C for adjustments.)**

Raw materials purchased on credit	R 738 900
Damaged raw material returned to suppliers	15 300
Factory overhead cost	322 100
Production wages (direct labour)	598 750

**C. Additional information:**

- One worker, James, was omitted from the Production Wages Register. Details from his job card for the last week in February 2020 are as follows:

Hours worked	Normal rate	Overtime hours	Overtime rate
30	R120	5	R180
Total employer's contribution amounts to 10% of gross wage.			

- Insurance of R15 880 was incorrectly omitted from factory overhead costs. This includes a premium of R2 220 paid for the period 1 January 2020 to 30 June 2020. This expense must be allocated between the factory and the sales department in the ratio 3 : 1.
  - The bookkeeper included R39 600 (75%) of the wages to cleaners in the factory overhead cost. Only  $\frac{2}{3}$  of this expense should be allocated to the factory.
- D.** The business produced 22 500 towels during the financial year, at R60 per unit.



### 1.3 FRAGRANCE MANUFACTURERS

This business manufactures perfumes and shampoo. The owner, Marie Klasen, has compared the profit she earned over the past two years (2019 and 2020).

#### REQUIRED:

- 1.3.1 Identify ONE variable cost of each product that was not well controlled. Note that the inflation rate is 6%. Quote figures. In each case, give a solution for the problem identified. (6)
- 1.3.2 Provide a calculation to prove that the break-even point of 26 250 units for **perfumes** in 2020 is correct. (4)
- 1.3.3 Comment on the break-even point and level of production of **perfumes**. State TWO points with figures. (4)

#### INFORMATION:

##### A. UNIT COSTS AND SELLING PRICES

	PERFUMES (Unit costs)		SHAMPOO (Unit costs)	
	2020 R	2019 R	2020 R	2019 R
<b>FIXED COSTS</b>	<b>36,75</b>	<b>30,00</b>	<b>18,48</b>	<b>22,00</b>
Factory overhead cost				
Administration cost				
<b>VARIABLE COSTS</b>	<b>108,00</b>	<b>88,00</b>	<b>50,00</b>	<b>38,50</b>
Direct material cost	50,00	48,00	25,00	15,00
Direct labour cost	40,00	30,00	18,00	17,00
Selling and distribution cost	18,00	10,00	7,00	6,50
<b>SELLING PRICE</b>	<b>150,00</b>	<b>140,00</b>	<b>90,00</b>	<b>80,00</b>

##### B. UNITS AND BREAK-EVEN POINT



<b>Total units produced and sold</b>	30 000	35 000	12 500	10 000
<b>Break-even point (units)</b>	26 250	20 200	5 775	5 300

**QUESTION 2: DEBTORS' RECONCILIATION AND VAT (40 marks; 30 minutes)****2.1 DEBTORS' RECONCILIATION**

The information relates to Mamela Traders for September 2020.

**REQUIRED:**

- 2.1.1 Calculate the correct Debtors' Control balance on 30 September 2020. Show figures and indicate '+', '-' or 'no change' at each adjustment. (8)
- 2.1.2 Calculate the correct total of the Debtors' List on 30 September 2020. (11)
- 2.1.3 Despite sending monthly statements timeously, the accountant noticed that this was not effective in improving collections.
- **Refer to Information C.** Calculate the % of debtors who do not comply with the credit terms. (4)
  - **Refer to Information A.** Identify ONE other problem with regard to the control over debtors (2)
  - Provide TWO suggestions to address the problems identified. (2)

**INFORMATION:****A. Balances on 30 September 2020 before taking into account the errors and omissions:**

- (i) Debtors' control balance in the General Ledger, R100 310.
- (ii) **List of debtors' balances:**

	<b>Credit Limit</b>	<b>Balance</b>
D Dlamini	R20 000	R27 000
G Swardt	30 000	22 470
N Nomandla	15 000	17 600
L Vos	40 000	34 440
X Meyer	10 000	(2 000)

**B. Errors and omissions:**

- (i) The total of the Debtors' Journal was overcast by R3 600.
- (ii) No entry was made for a sales invoice issued to Vos for R2 760.
- (iii) Interest of R230 must be charged on the overdue account of Swardt.
- (iv) Goods returned by Nomandla, R1 400, were posted to the wrong side of his account in the Debtors' Ledger. The entry in the General Ledger was correct.
- (v) The amount of R6 300 received from Dlamini was incorrectly recorded as R3 600 in the Cash Receipts Journal and posted as such to the Ledger Accounts.
- (vi) The balance of Meyer must be transferred to his account in the Creditors' Ledger.

- C. On 30 September 2020, the Debtors' Age Analysis revealed the following:

Balance	Current Month	30 days	60 days	90 days
R99 000	R15 420	R22 200	R44 500	R16 880

**Credit terms:** Debtors are granted 30 days to settle their accounts.

## 2.2 VAT

### FOREVER TRADERS

Tom Smith is the sole owner. The information relates to the VAT period ended 31 August 2020.

The standard VAT rate of 15% is applicable to all goods purchased and sold.

#### REQUIRED:

- 2.2.1 Calculate the VAT amount that is payable to SARS on 31 August 2020. (9)

- 2.2.2 During September, the accountant came across a document for furniture bought by Tom Smith for his personal home, for R46 000 cash. Tom said that R6 000 VAT included in this amount must be regarded as input VAT. Further investigation revealed that similar documents were regularly entered in the books over the past year.

Advise the accountant on dealing with this matter. State TWO points. (4)

#### INFORMATION:

- A. Amount due to SARS on 1 August 2020 is R31 470.
- B. The following transactions appeared in the records for August 2020:

DETAILS	EXCLUDING VAT	VAT AMOUNT	INCLUDING VAT
Total sales	R535 000	R80 250	R615 250
Purchases of stock	385 000	57 750	442 750
Discount received from suppliers	11 500	?	
Goods returned by debtors	22 500	?	25 875
Stock taken by owner at cost	9 600	?	
Debtors' accounts written off		?	36 800



**QUESTION 3: INVENTORY VALUATION****(30 marks; 25 minutes)**

On-Time Watches (Pty) Ltd has two shareholders, Lizzy and Patsy Ndou. The business sells watches. The periodic inventory system and the first-in-first-out (FIFO) method is used to value the watches. The financial year-end was 30 June 2020.

The business sold only one type of watch, the XS Sports, in the past. Even though these watches were selling well, Lizzy felt that the business was not earning enough profit. She convinced Patsy that importing exclusive watches (the Euroclox) would be a good solution for this problem.

**REQUIRED:**

3.1 Calculate the following for the imported Euroclox watches on 30 June 2020, using the FIFO method:



- The value of the closing stock (5)
- Stock-holding period (in days) using the closing stock amount (3)
- % mark-up on cost (3)

3.2 Patsy was still not convinced about the decision to import the Euroclox watches, but it appears that Lizzy's decision was beneficial to the business. In each case below, quote figures or indicators.

3.2.1 Compare the mark-up % achieved on each model and comment on how this has affected the sales and profitability of the two models. (4)

3.2.2 Compare the stock-holding period for each model and the demand for each model and comment on how these affected the management of the stock items of the two models. (4)

3.3 Lizzy is interested in finding out if the weighted-average method of valuing the Euroclox watches will result in a significantly different stock value.

- Calculate the value of the 270 watches using the weighted-average method. (5)
- Explain the effect this would have on the gross profit. Quote figures. (2)
- Explain why it would not be appropriate for her to use the weighted-average method for the new watches in the future. State TWO points. (4)

**INFORMATION:****A. Stock records for imported Euroclox watches:**

DATE	NUMBER OF UNITS	UNIT PRICE	TOTAL AMOUNT
<b>Purchases:</b>			
1 July 2019	200	R 1 615,50	R 323 100
30 September 2019	500	1 700,00	850 000
20 December 2019	1 200	1 900,00	2 280 000
25 March 2020	400	2 000,00	800 000
15 May 2020	250	2 400,00	600 000
<b>Total purchases</b>	<b>2 550</b>		<b>R4 853 100</b>
<b>Returns: 15 May 2020</b>	90		?
<b>Available for sale</b>	<b>2 460</b>		?
<b>Stock on 30 June 2020</b>			
	270		?
<b>Sales</b>	2 190	R2 700	R5 913 000
<b>Cost of sales</b>			R4 033 100

**B. Information obtained from the financial records on 30 June 2020:**

	EUROCLOX MODEL	XS SPORTS MODEL
Mark-up %	?	75%
Stock-holding period	?	120 days
Selling price per watch	R2 700	R560
Average cost price per watch	R1 842	R320
Average gross profit per watch	R858	R240
Gross profit	R1 879 900	R840 000
Sales of watches	R5 913 000	R1 960 000
Units sold	2 190 watches	3 500 watches
Closing units on hand	270 watches	1 381 watches

**QUESTION 4: BUDGETS****(35 marks; 30 minutes)**

You are provided with information of Fantasy Laptops, a business owned by Ray Rennie, for the budget period December 2020 to February 2021.

The business sells various types of laptop computers and does not sell on credit. They also repair these items for customers at a fee.

**REQUIRED:****4.1 Refer to Information A and B.**

Complete the Creditors' Payment Schedule for February 2021. (7)

**4.2 Refer to Information C and D.**

Calculate:

- % increase expected in security costs from 1 February 2021
- % commission paid to salespersons during February 2021
- Water and electricity budgeted for December 2020
- The loan repayment to be made on 31 December 2020 (12)

**4.3 Refer to Information E.**

The internal auditor has noticed that packing material was R800 overspent and consumable stores were R1 500 overspent.

Comment on the control of packing materials and consumable stores. Quote figures or calculations. (6)

**4.4 Refer to Information D.**

During the Coronavirus lock-down in April and May 2020, the business lost money because there were no sales and fee income. However, Ray had to continue making payments to keep the business afloat (as a going concern).

- Give ONE reason why he did not want to stop paying salaries and wages. (2)
- Identify ONE other payment in the list in Information D that he would not have been able to stop and give a reason. (2)
- Identify ONE payment in the list in Information D that he would have stopped and give a reason. (2)

**4.5 Refer to Information F.**

Ray Rennie, the owner, requires help in making a financial decision.

He is undecided as to whether he should lease or buy a delivery vehicle. His two options are reflected as Option X and Option Y.

Apart from generating more sales or having the use of the vehicle, state TWO advantages of EACH option. (4)

**INFORMATION:****A. Mark-up % and sales:**

A mark-up of 75% on cost is used to set the sales prices of the laptops.

ACTUAL SALES		PROJECTED SALES		
October 2020	November 2020	December 2020	January 2021	February 2021
R490 000	R490 000	R770 000	R560 000	R525 000

**B. Purchases and payment to suppliers (creditors):**

- All stock is bought on credit.
- Stock sold is replaced in the month of sales.
- Some creditors offer a discount for payment in the month of purchase.
- 50% is paid in the month of purchase to earn a 10% discount.
- 30% is settled in the month after the purchase transaction month.
- 20% is settled in the second month after the purchase transaction month.

**C. Information on specific items from the Cash Budget:**

- **Security:** The guards are outsourced from Keepsafe Guarding.
- **Commission:** Salespersons are paid commission in the same month on sales only. They do not receive a fixed salary.
- **Water and electricity:** The expected increase from 1 January 2021 is 24%.
- **Loan and interest:** The loan from Delta Bank bears interest at 12,5% per year. Interest is not capitalised and a fixed loan repayment is made on 31 December each year.
- **Consumable stores:** These are used to repair laptops for customers.

**D. Extract from the Cash Budget:**

	December 2020	January 2021	February 2021
	R	R	R
Fee income: repair services	100 000	150 000	150 000
Interest on loan (12,5% p.a.)	9 375	8 125	
Repayment of loan	?		
Commission to salespersons	123 200	89 600	84 000
Consumable stores for repairs	42 000	63 000	63 000
Security	18 000	18 000	28 500
Water and electricity	?	18 600	18 600
Salaries and wages			
Packing materials			
Insurance			

**E. The internal auditor identified the following figures for October 2020:**

	<b>Budgeted R</b>	<b>Actual R</b>	<b>Variance %</b>
Sales	490 000	400 000	-18,4%
Fee income	85 000	126 000	+48,2%
Packing materials	22 000	22 800	+3,6%
Consumable stores	24 500	26 000	+6,1%

**F. Options for securing a delivery vehicle:**

Ray feels that he should buy a delivery vehicle for R520 000 or lease (hire) the vehicle on a monthly basis to enable his business to generate more sales after the Coronavirus lockdown. He has only R100 000 in his investments that he can use. These investments are currently earning interest at 6,5% p.a.

He has two options to consider:

**Option X (buy the vehicle):**

Purchase the vehicle by using the money in his investments and take out a new 5-year loan for R420 000 at a high interest rate. He will have to repay the loan over five years. Interest over the five years will be R176 000.

**Option Y (hire/lease the vehicle):**

Hire (lease) the vehicle from Sentinel Ltd for R15 000 per month over 60 months.

GRADE 12 ACCOUNTING FINANCIAL INDICATOR FORMULA SHEET	
$\frac{\text{Gross profit}}{\text{Sales}} \times \frac{100}{1}$	$\frac{\text{Gross profit}}{\text{Cost of sales}} \times \frac{100}{1}$
$\frac{\text{Net profit before tax}}{\text{Sales}} \times \frac{100}{1}$	$\frac{\text{Net profit after tax}}{\text{Sales}} \times \frac{100}{1}$
$\frac{\text{Operating expenses}}{\text{Sales}} \times \frac{100}{1}$	$\frac{\text{Operating profit}}{\text{Sales}} \times \frac{100}{1}$
Total assets : Total liabilities	Current assets : Current liabilities
(Current assets – Inventories) : Current liabilities	Non-current liabilities : Shareholders' equity
(Trade & other receivables + Cash & cash equivalents) : Current liabilities	
$\frac{\text{Average trading stock}}{\text{Cost of sales}} \times \frac{365}{1}$	$\frac{\text{Cost of sales}}{\text{Average trading stock}}$
$\frac{\text{Average debtors}}{\text{Credit sales}} \times \frac{365}{1}$	$\frac{\text{Average creditors}}{\text{Cost of sales}} \times \frac{365}{1}$
$\frac{\text{Net income after tax}}{\text{Average shareholders' equity}} \times \frac{100}{1}$	$\frac{\text{Net income after tax}}{\text{Number of issued shares}} \times \frac{100}{1}$ (*See note below)
$\frac{\text{Net income before tax} + \text{Interest on loans}}{\text{Average shareholders' equity} + \text{Average non-current liabilities}} \times \frac{100}{1}$	
$\frac{\text{Shareholders' equity}}{\text{Number of issued shares}} \times \frac{100}{1}$	$\frac{\text{Dividends for the year}}{\text{Number of issued shares}} \times \frac{100}{1}$
$\frac{\text{Interim dividends}}{\text{Number of issued shares}} \times \frac{100}{1}$	$\frac{\text{Final dividends}}{\text{Number of issued shares}} \times \frac{100}{1}$
$\frac{\text{Dividends per share}}{\text{Earnings per share}} \times \frac{100}{1}$	$\frac{\text{Dividends for the year}}{\text{Net income after tax}} \times \frac{100}{1}$
$\frac{\text{Total fixed costs}}{\text{Selling price per unit} - \text{Variable costs per unit}}$	
<b>NOTE:</b>	
* In this case, if there is a change in the number of issued shares during a financial year, the weighted-average number of shares is used in practice.	

Downloaded from Stanmorephysics.com

STICKER

CENTRE NUMBER

--	--	--	--	--	--	--	--

EXAMINATION NUMBER

--	--	--	--	--	--	--	--	--	--	--	--

**NATIONAL SENIOR CERTIFICATE**

**ACCOUNTING P2**

**GRADE 12**

**SEPTEMBER 2021**

**SPECIAL ANSWER BOOK**

QUESTION	MARKS	INITIAL	MOD.
1			
2			
3			
4			
TOTAL			

This answer book consists of 10 pages.






**1.3 FRAGRANCE MANUFACTURERS**

**1.3.1 Identify ONE variable cost of each product that was not well controlled. Note that the inflation rate is 6%. Quote figures. In each case, give a solution for the problem identified.**

VARIABLE COST (with figures)	SOLUTION
PERFUMES	
SHAMPOOS	

6

**1.3.2 Provide a calculation to prove that the break-even point of 26 250 units for perfumes in 2020 is correct.**

Workings	Answer
	

4

**1.3.3 Comment on the break-even point and level of production of perfumes. State TWO points with figures.**

4

<b>TOTAL MARKS</b>
45

**QUESTION 2****2.1 DEBTORS' RECONCILIATION****2.1.1 CORRECTIONS TO THE DEBTORS' CONTROL ACCOUNT  
30 SEPTEMBER 2020**

Balance before errors and omissions	100 310
(i)	
(ii)	
(iii)	
(iv)	
(v)	
(vi)	
Correct balance of Debtors' Control Account	

8

**2.1.2 DEBTORS' LIST ON 30 SEPTEMBER 2020**

D Dlamini	27 000	
G Swardt	22 470	
N Nomandla	17 600	
L Vos	34 440	
X Meyer	– 2 000	
Correct total of Debtors' List		

11

**2.1.3 Refer to Information C. Calculate the % of debtors who do not comply with the credit terms.**

Workings	Answer

4

Refer to Information A. Identify ONE other problem with regard to the control over debtors.

2

Provide TWO suggestions to address the problems identified.

2


**2.2 VAT**

**2.2.1 Calculate the VAT amount that is payable to SARS on 31 August 2020.**

<b>Workings</b>	<b>Answer</b>

<b>9</b>


**2.2.2 Advise the accountant on dealing with the matter of the documents submitted by Tom Smith. State TWO points.**





<b>4</b>

<b>TOTAL MARKS</b>
<b>40</b>

**QUESTION 3**

<b>3.1</b>	<b>Calculate the value of the closing stock using the FIFO method.</b>			
	<b>Workings</b>	<b>Answer</b>		
		<table border="1" style="margin-left: auto; margin-right: auto;"> <tr><td style="width: 40px; height: 20px;"></td></tr> <tr><td style="text-align: center;">5</td></tr> </table>		5
5				
	<b>Calculate the stock-holding period (in days) using the closing stock amount.</b>			
	<b>Workings</b>	<b>Answer</b>		
		<table border="1" style="margin-left: auto; margin-right: auto;"> <tr><td style="width: 40px; height: 20px;"></td></tr> <tr><td style="text-align: center;">3</td></tr> </table>		3
3				
	<b>Calculate the % mark-up on cost.</b>			
	<b>Workings</b>	<b>Answer</b>		
		<table border="1" style="margin-left: auto; margin-right: auto;"> <tr><td style="width: 40px; height: 20px;"></td></tr> <tr><td style="text-align: center;">3</td></tr> </table>		3
3				
<b>3.2.1</b>	<b>Compare the mark-up % achieved on each model and comment on how this has affected the sales and profitability of the two models. Quote figures or indicators.</b>	<table border="1" style="margin-left: auto; margin-right: auto;"> <tr><td style="width: 40px; height: 20px;"></td></tr> <tr><td style="text-align: center;">4</td></tr> </table>		4
4				
<b>3.2.2</b>	<b>Compare the stock-holding period for each model and the demand for each model and comment on how these affected the management of the stock items of the two models. Quote figures or indicators.</b>	<table border="1" style="margin-left: auto; margin-right: auto;"> <tr><td style="width: 40px; height: 20px;"></td></tr> <tr><td style="text-align: center;">4</td></tr> </table>		4
4				

3.3

Calculate the value of the 270 watches using the weighted-average method.	
Workings	Answer
Explain the effect this would have on the gross profit. Quote figures. 	
Explain why it would not be appropriate for her to use the weighted-average method for the new watches in the future. State TWO points. 	

5

2

4

<b>TOTAL MARKS</b>
<b>30</b>

**QUESTION 4**

4.1 Complete the Creditors' Payment Schedule for February 2021.

	Credit purchases R	December 2020 R	January 2021 R	February 2021 R
December		198 000	132 000	
January			144 000	
February				

7

4.2 Calculate the % increase expected in security costs from 1 February 2021.

Workings	Answer

Calculate the % commission paid to salespersons during February 2021.

Workings	Answer

Calculate the water and electricity budgeted for December 2020.

Workings	Answer

Calculate the loan repayment to be made on 31 December 2020.

Workings	Answer

12

4.3

Comment on the control of packing materials. Quote figures or calculations.

Comment on the control of consumable stores. Quote figures or calculations.



6

4.4

Give ONE reason why he did not want to stop paying salaries and wages.

2

Identify ONE other payment in the list in Information D that he would not have been able to stop and give a reason.

ONE other payment identified:

Reason:

2

Identify ONE payment in the list in Information D that he would have stopped and give a reason.

ONE payment identified:

Reason:

2

4.5

<b>Apart from generating more sales or having the use of the vehicle, state TWO advantages of EACH option.</b>	
<b>TWO advantages of Option X (buy the vehicle):</b>	
<b>ADVANTAGE 1</b>	
<b>ADVANTAGE 2</b>	
<b>TWO advantages of Option Y (hire/lease the vehicle):</b>	
<b>ADVANTAGE 1</b>	
<b>ADVANTAGE 2</b>	

<b>4</b>

<b>TOTAL MARKS</b>

<b>35</b>

**TOTAL: 150**





# basic education

Department:  
Basic Education  
**REPUBLIC OF SOUTH AFRICA**

## NATIONAL SENIOR CERTIFICATE

GRADE 12

ACCOUNTING P2

SEPTEMBER 2021

MARKING GUIDELINES

MARKS: 150



### 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 answer 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). 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. This memorandum is not for public distribution, as certain items might imply incorrect treatment. The adjustments made are due to nuances in certain questions.
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, the marker must inspect the 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.

**These marking guidelines consist of 10 pages.**

**QUESTION 1**

1.1

1.1.1	Indirect materials	✓
1.1.2	Indirect labour	✓
1.1.3	Direct materials	✓

Do not accept abbreviations

3

1.2.1

1.2.1 Calculate the direct material cost.	
Workings	Answer
$115\ 200 \checkmark + 723\ 600 \checkmark - 314\ 500 \checkmark$ <small>(738 900 – 15 300) one mark</small>	524 300 <input checked="" type="checkbox"/> one part correct

4

1.2.2

1.2.2 PRODUCTION COST STATEMENT FOR THE YEAR ENDED 29 FEBRUARY 2020	
<b>Direct material cost</b>	524 300 <input checked="" type="checkbox"/>
<small>(3 600 one mark + 900 one mark)</small>	
Direct labour cost (598 750✓ + 4 500✓✓ + 450 <input checked="" type="checkbox"/> 10% of gross)	603 700 <input checked="" type="checkbox"/> *
<b>Prime cost</b>	1 128 000 <input checked="" type="checkbox"/>
Factory overhead cost <small>(15 880 – 1 480)two marks</small> <small>14 400 two marks x ¾ one mark</small> $322\ 100 \checkmark + 10\ 800 \checkmark \checkmark \checkmark - 4\ 400 \checkmark \checkmark$ <small>+ 35 200 one mark – 39 600 one mark</small>	328 500 <input checked="" type="checkbox"/> *
<b>Total manufacturing cost</b>	1 456 500 <input checked="" type="checkbox"/>
<b>Work-in-progress (1 March 2019)</b>	<b>53 500</b>
	1 510 000
Work-in-progress (29 February 2020)	(160 000) <input checked="" type="checkbox"/>
<b>Total cost of production of finished goods</b>	1 350 000 <input checked="" type="checkbox"/> ✓
<small>(22 500 x R60)</small>	

18

\*one part correct

1.2.3

**Identify TWO concerns regarding James's job card. Also provide ONE suggestion to address the concerns identified.**

**TWO CONCERNS:** Any TWO points ✓✓ ✓✓ part marks for incomplete / partial / unclear answers  
 Figures are not required, can be used to support concerns

- It is unethical to work overtime to earn more, and compromising normal time.
- Worked 10 hours less (only 75% of normal time), but worked 5 hours' overtime (cost the business and additional R300)
- His pattern of poor attendance (productivity) was not detected earlier.
- James is an unreliable worker, not committed to his job.
- He could create a negative trend if noticed by other workers.

**ONE SUGGESTION:** ONE point ✓✓ part marks for incomplete / partial / unclear answers

Disciplinary action (James and the Foreman) / regular supervision of workers / setting and controlling targets / training of management staff (foreman) / investigate for possible collusion / exercise strict control of overtime (authorisation)

6

**1.3 FRAGRANCE MANUFACTURERS**

**1.3.1 Identify ONE variable cost of each product that was not well controlled. Note that the inflation rate is 6%. Quote figures. In each case, give a solution for the problem identified.**

VARIABLE COST (with figures) ✓ ✓ ✓ ✓	SOLUTION ✓ ✓
<b>PERFUMES</b> Direct labour cost, Increased (from R30) to R40 (by R10 / 33,3%)  <b>OR</b> Selling and Distribution Increased (from R10) to R18 (by R8 / 80%)	Monitor overtime / Set targets for normal time Train workers to improve efficiency  Monitor effectiveness of advertising to sales / delivery cost (use of vehicles) Tracking devices on vehicles
<b>SHAMPOOS</b> Direct material cost Increased (from R15) to R25 (by R10 / 66,7%)	Change suppliers / Look for cheaper suppliers / Monitor wastage / look for alternative transport and storage / buy as required or to orders received.

6
---

**1.3.2 Provide a calculation to prove that the break-even point of 26 250 units for perfumes in 2020 is correct.**

$$\frac{(36,75 \times 30\,000) \text{ two marks}}{150 \checkmark - 108 \checkmark} = 26\,250 \text{ units}$$

42 two marks

**OR**

Sales	total fixed costs	variable costs	= profit/loss
(150 x 26 520)	(36,75 x 30 000)	(108 x 26 250)	
3 937 500	- 1 102 500	- 2 835 000	= 0

4
---

**1.3.3 Comment on the break-even point and level of production for perfumes. State TWO points with figures.**

- TWO points (with figures) ✓✓ ✓✓ compare BEP with level of production  
 Point 1: current year Point 2: reference to previous year
- In 2020, the business produced 3 750 units above the BEP (30 000 – 26 250) / made a profit on 3 750 units (two marks)
  - In 2019, the business made a profit on 14 800 (35 000 – 20 200) units, but on only 3 750 units in 2020 (four marks)
  - The BEP increased by 29,9% (from 20 200 to 26 250) but production decreased by 14,3% from 35 000 to 30 000. (four marks)
- Part marks for comparing only BEP or comparing only level of production

4
---

<b>TOTAL MARKS</b>
<b>45</b>

## QUESTION 2

## 2.1 DEBTORS' RECONCILIATION

## 2.1.1 CORRECTIONS TO THE DEBTORS' CONTROL ACCOUNT: 30 SEPTEMBER 2020

Balance before errors and omissions	100 310
(i)	- 3 600 ✓
(ii)	+ 2 760 ✓
(iii)	+ 230 ✓
(iv) <small>Must indicate that there was no change e.g. (-)</small>	No change / 0 ✓
(v) <small>no part-marks</small>	- 2 700 ✓✓ - 6 300 + 3 600
(vi)	+ 2 000 ✓
Correct balance of Debtors' Control Account	99 000 ✓ <small>one part correct</small>

8

Mark independently from 2.1.2

Accept brackets

## 2.1.2 DEBTORS' LIST ON 30 SEPTEMBER 2020

D Dlamini	27 000 - 2 700 ✓ (- 6 300 + 3 600) one marks	24 300 ✓
G Swardt	22 470 + 230 ✓	22 700 ✓
N Nomandla	17 600 - 2 800 ✓✓ or -1 400 - 1 400 one mark one mark	14 800 ✓*
L Vos	34 440 + 2 760 ✓	37 200 ✓
X Meyer	- 2 000 + 2 000 ✓	0
Correct total of Debtors' List		99 000 ✓*

11

\*one part correct

## 2.1.3 Refer to Information C.

Calculate the % of debtors who do not comply with the credit terms.

Workings	Answer
$\frac{61\ 380 \text{ two marks} + 44\ 500 \checkmark + 16\ 880 \checkmark}{99\ 000 \checkmark} \times 100$	<b>OR</b> $\frac{37\ 620}{99\ 000} \times 100 = 38\%.$
$100\% - 38\%$	62% ✓ <small>one part correct</small>

4

Refer to Information A. Identify ONE other problem with regard to the control over debtors.

ONE problem ✓✓

Debtors exceeding the credit limit (Dlamini; Nomandla) /Granting credit to debtors not complying to terms or credit limits (internal control problem)

2

Provide TWO suggestions to address the problems identified.

Any TWO points ✓ ✓ accept short statements

Offer higher discounts for early payments / Add interest on overdue accounts / Monitor buying patterns of debtors / restrict further credit transactions / Send SMS reminders; timeous statements / Encourage debtors to pay by debit order or EFT / hand over to attorney or debt collector / Programme tills with customer details to detect limits

2

**2.2 VAT**

**2.2.1 Calculate the VAT amount that is payable to SARS on 31 August 2020.**

Workings	Answer							
<p>Select one option only (do not mix lines)</p> <p style="text-align: center;">✓      ✓      ✓      ✓      ✓      ✓✓      ✓</p>								
$- 31\ 470 - 80\ 250 + 57\ 750 - 1\ 725 + 3\ 375 + 4\ 800 - 1\ 440$	<p>48 960 <input checked="" type="checkbox"/></p> <p>one part correct</p>							
<p><b>OR</b></p> $+ 31\ 470 + 80\ 250 - 57\ 750 + 1\ 725 - 3\ 375 - 4\ 800 + 1\ 440$								
<p><b>OR</b></p> <p>OUTPUT: <math>31\ 470 + 80\ 250 - 3\ 375 - 4\ 800 = 103\ 545</math></p> <p>INPUT: <math>57\ 750 - 1\ 725 - 1\ 440 = 54\ 585</math></p>								
<p><b>OR</b></p> <p>OUTPUT: <math>31\ 470 + 80\ 250 + 1\ 725 + 1\ 440 = 114\ 885</math></p> <p>INPUT: <math>57\ 750 + 3\ 375 + 4\ 800 = 65\ 925</math></p>								
<p><b>OR</b></p> <table border="1" style="margin-left: auto; margin-right: auto;"> <tbody> <tr> <td style="text-align: right;">57 750</td> <td style="text-align: right;">31 470</td> </tr> <tr> <td style="text-align: right;">3 375</td> <td style="text-align: right;">80 250</td> </tr> <tr> <td style="text-align: right;">4 800</td> <td style="text-align: right;">1 725</td> </tr> <tr> <td style="text-align: right;"><b>Balance 48 960</b></td> <td style="text-align: right;"><b>1 440</b></td> </tr> </tbody> </table>		57 750	31 470	3 375	80 250	4 800	1 725	<b>Balance 48 960</b>
57 750	31 470							
3 375	80 250							
4 800	1 725							
<b>Balance 48 960</b>	<b>1 440</b>							

9

**2.2.2 Advise the accountant on dealing with the matter of the documents submitted by Tom Smith. State TWO points.**

Any TWO points ✓✓ ✓✓ part marks for incomplete / partial / unclear answers

The accountant must explain to / advise Tom:

- That he should keep business transactions separate from personal matters (business entity rule – easier to assess progress of the business)
- That this practice must stop because it is unethical and could place the business at risk (financial; reputation; image)
- To declare the errors to SARS and to pay over the amounts due before SARS discovers the fraud, and implement further fines (penalties)
- That these documents must not be used to claim input VAT, unless he decides to transfer those assets to the business (and reflected in the books).
- VAT information must be kept separately and meticulously as the business is an agent of SARS, subject to audits.
- Do not engage in this type of activity as it is tax fraud.

4

<b>TOTAL MARKS</b>
<b>40</b>

## QUESTION 3

3.1

Calculate the value of the closing stock using the FIFO method.		
Workings		Answer
(250 – 90) 160 x R2 400 110 <input checked="" type="checkbox"/> x R2 000 (270 – amt above)	384 000 <input checked="" type="checkbox"/> 220 000 <input checked="" type="checkbox"/> one part correct	604 000 <input checked="" type="checkbox"/> one part correct
Calculate the stock-holding period (in days) using the closing stock amount.		
Workings		Answer
see above $\frac{604\,000}{4\,033\,100} \times 365$	If units are used: $\frac{270}{2\,190} \times 365 = 44,9 \text{ days or } 45 \text{ days}$	54,7 days <input checked="" type="checkbox"/> one part correct; x 365 Accept 55 days
Calculate the % mark-up on cost.		
Workings		Answer
(5 913 000 – 4 033 100) one mark $\frac{1\,879\,900}{4\,033\,100} \times 100^*$		46,6% <input checked="" type="checkbox"/> one part correct

5

3

3

3.2.1

Compare the mark-up % achieved on each model and comment on how this has affected the sales and profitability of the two models. Quote figures or indicators.

<p><b>Comment</b> Mentions MU% and profits / sales <input checked="" type="checkbox"/> <input checked="" type="checkbox"/></p> <p><b>Figures</b> Comparison <input checked="" type="checkbox"/> <input checked="" type="checkbox"/></p>	<p>Although the MU% of Euroclox (46,6%, <a href="#">see 3.1</a>) is lower than the MU% of XS Sports (75%):</p> <ul style="list-style-type: none"> <li>Gross profit per watch is R858 compared to R240 (R618 more) due to the <u>unit cost being higher</u>; R1 842; R1 522 more (than R320)</li> <li>Although Euroclux has a <u>lower sales volume</u> (2 190 against 3 500 units) the <u>gross profit is significantly higher</u> (by R1 039 900; R1 879 900 – R840 000)</li> <li>Gross Profit as a % of sales: Euroclux: 32% XS Sport: 43%</li> </ul>
---	---

4

3.2.2

Compare the stock-holding period for each model and the demand for each model and comment on how these affected the management of stock items of the two models. Quote figures or indicators.

<p>Any TWO comments (with figures) <input checked="" type="checkbox"/> <input checked="" type="checkbox"/> <input checked="" type="checkbox"/></p>	<ul style="list-style-type: none"> <li><u>Stock holding period</u>: Euroclox: 54,7 days (&lt; 2 months) <a href="#">see 3.1(b)</a> XS Sports: 120 days (3 months). An indication that stock of Euroclox is selling significantly faster than the XS Sports watches.</li> <li><u>Demand for watches</u>: Only 270 units of Euroclux watches on hand compared to 1 381 XS Sports watches; The expensive watch is more popular / higher demand or demand for a different brand.</li> <li><u>Management of stock</u>: Low demand / sales of XS sports watches results in higher stock balance (1 381 units / 40% of units sold) – possibly due to higher MU% / resulting in stock piling / cash resources tied up in stock.</li> </ul>
--	--

4

3.3

Calculate the value of the 270 watches using the weighted-average method.	
Workings	Answer
<p>4 637 100 two marks                      (90 x 2 400)                      4 853 100 ✓ – 216 000 ✓ x 270 ✓                      2 460 ✓                      (2 550 – 90)</p> <p>Weighted average: 1 885 three marks</p>	<p>508 950 ✓                      one part correct                      must be x 270</p>
<p><b>Explain the effect this would have on the gross profit. Quote figures.</b></p> <p>Weighted average: Gross profit will be lower ✓ by 95 050 (604 000 – 508 950) ✓                      see figures in 3.1 (a) and 3.3 (a)</p> <p>OR</p> <p>FIFO: Gross profit will be higher by 95 050</p>	
<p><b>Explain why it would not be appropriate for her to use the weighted-average method for the new watches in the future. State TWO points.</b></p> <p>TWO points ✓✓ ✓✓ part marks for incomplete / partial / unclear answers                      Figures are not required, can be used to support answers</p> <ul style="list-style-type: none"> <li>• FIFO is more realistic as prices of watches would increase over time (inflation)</li> <li>• The closing stock would be valued at the most recent prices – true reflection of stock value reported on financial statements</li> <li>• Generally expensive items, not purchased in bulk, or at regular intervals / WA is more suited to cheaper goods that move faster / purchased regularly.</li> <li>• Higher profits may give a good public image of the business as a profitable business;</li> <li>• (Tax implications if the business (or partners) pay taxes on earnings)</li> </ul>	

5

2

4

**TOTAL MARKS**  
 30



## QUESTION 4

## 4.1 Complete the Creditors' Payment Schedule for February 2021.

	Credit purchases R	December 2020 R	January 2021 R	February 2021 R
December	440 000 ✓	198 000	132 000	88 000 ✓ 20% of Cr Purchases
January	320 000 ✓		144 000	96 000 ✓ 30% of Cr Purchases
February	300 000 ✓			135 000 ✓ x 50% of Cr Pur x 90%
	x 100/175			319 000 ✓ one part correct

7

## 4.2 Calculate the % increase expected in security costs from 1 February 2021.

Workings	Answer
$\frac{(28\,500 - 18\,000)}{18\,000} \times \frac{100}{1}$	✓ 58,3%

## Calculate the % commission paid to salespersons during February 2021.

Workings	Answer
$\frac{84\,000}{525\,000} \times \frac{100^*}{1}$	one part correct ✓ 16%

\* is NOT one part correct

## Calculate the water and electricity budgeted for December 2020.

Workings	Answer
$\frac{18\,600}{1} \times \frac{100}{124}$	✓ R15 000

## Calculate the loan repayment to be made on 31 December 2020.

Workings	Answer
$\frac{9\,375 - 8\,125}{1} \times \frac{100}{12,5} \times \frac{12}{1}$	9 375 x 12 ÷ 0,125    8 125 x 12 ÷ 0,125 900 000 – 780 000 two marks    one mark R120 000 ✓ one part correct
Be alert for alternative calculations e.g. Loan x 12,5% x 1/12 = 1 250	1 250 x 12 ÷ 0,125

12



4.3

**Comment on the control of packing materials. Quote figures or calculations.**

Explanation (including a comparison with **sales**) ✓✓ with figures / calculations ✓

Has not been well controlled because:

- Sales were 18,4% under budget, yet packing materials were 3,6% over the budget / should have spent less than budgeted due to low sales
- Packing materials were budgeted at 4,5% of sales, yet the actual figures reflects 5,7% of sales.

For 2 mark: (no use of percentages / or amounts)

Sales were R90 000 under budget, yet packing materials were R800 over budget.

**Comment on the control of consumable stores. Quote figures or calculations.**

Explanation (including a comparison with **fee income**) ✓✓ with figures / calculations ✓

Has been well controlled because:

- Fee income was 48,2% above budget, yet consumable stores were only 6,1% over budget
- Consumable stores were budgeted at 28,8% of fee income, yet the actual figures reflect only 20,6%

For 2 mark: (no use of percentages / or amounts)

Fee income was R31 000 above budget yet consumable stores were only R1 500 over budget.

6

4.4

**Give ONE reason why he did not want to stop paying salaries and wages.**

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

- He does not intend to close down or down-size / uncertain future
- He is concerned about the survival of his employees (loyalty)
- He does not want to re-train new people when he re-opens
- Consider implications of their contracts (legal issues)

2

**Identify ONE other payment in the list in Information D that he would not have been able to stop and give a reason.**

Any 1 of: ✓ Security / insurance / loan repayments and interest on loan

**Reason:** ✓ **relevant to the payment item listed**

To prevent vandalism / reduce risk to the business / already finances infrastructural activities that need to continue / contracts in place

2

**Identify ONE payment in the list in Information D that he would have stopped and give a reason.**

Any 1 of: ✓ Packing material / consumable stores / commission / water and electricity (if he closed shop / worked from home)

**Reason:** ✓

All items depend on either sales or fee income which do not exist during this period.

2

4.5

**Apart from generating more sales or having the use of the vehicle, state TWO advantages of EACH option.**

**TWO advantages of Option X (buy the vehicle):**

TWO valid points ✓ ✓ **accept short answers; figures not necessary**

- He owns the asset, which will contribute to long-run productivity;
- Enhances the value of the business
- Less reliance on public transport – time delays
- Monthly repayments on loan and interest are lower than lease charges;
- He would get a maintenance plan with the new vehicle; more reliable
- He could pay off the loan quicker in order to save on interest.

**TWO advantages of Option Y (hire/lease the vehicle):**

TWO valid points ✓ ✓ **accept short answers; figures not necessary**

- The owner (Sentinel Ltd) would be responsible for repairs; basic maintenance; servicing.
- Sentinel Ltd must insure the vehicles (pay monthly insurance)
- The lease charges (expense) are a tax deductible expense
- No need to take out a loan / No interest charges
- No need to use his investments.

4



**TOTAL MARKS**  
35

**TOTAL: 150**