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# basic education

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

## NATIONAL SENIOR CERTIFICATE

**GRADE 12**

**ACCOUNTING**

**NOVEMBER 2013**

**MEMORANDUM**

**MARKS: 300**

### 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 item). No double penalty applied.
2. Full marks for correct answer. If answer incorrect, mark the workings provided.
3. 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).
4. 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.
5. Where indicated, part-marks may be awarded to differentiate between differing qualities of answers from candidates.
6. Where penalties are applied, the marks for that section of the question cannot be a final negative.
7. Where method marks are awarded for operation, the marker must inspect the reasonableness of the answer before awarding the mark.
8. In awarding method marks, ensure that candidates do not get full marks for any item that is incorrect at least in part.
9. Codes: f = foreign item; p = placement/presentation.

**This memorandum consists of 18 pages.**

**QUESTION 1****1.1 CONCEPTS**

Choose the correct word(s) from those given in brackets. Write only the word(s) next to the question number (1.1.1–1.1.3).

1.1.1	Business entity concept ✓✓
1.1.2	Limited ✓✓
1.1.3	Receivables ✓✓

6

**1.2 COMPANY TRANSACTIONS**

Use the table provided to indicate the following for each transaction:

- Account debited and account credited in the General Ledger
- Effect on the accounting equation

The bank balance is favourable at all times.

Additional item / Foreign item in AOL -1

NO.	ACCOUNT DEBITED	ACCOUNT CREDITED	AMOUNT	A	O	L
e.g.	<i>Directors' Fees</i>	<i>Bank</i>	<i>145 000</i>	–	–	0
1.2.1	SARS (Income Tax) ✓	Bank ✓	37 400	– ✓	0	– ✓
1.2.2	Bank ✓	Ordinary Share Capital ✓	180 000	+ ✓	+ ✓	0
1.2.3	Dividends on Ordinary Shares/Ordinary Share Dividends ✓	Shareholders for Dividends ✓	55 000	0	– ✓	+ ✓

12

**1.3 DEBTORS' RECONCILIATION****1.3.1 CORRECTIONS TO THE DEBTORS' CONTROL ACCOUNT**

<b>Current Debtors' Control Account balance</b>	<b>20 100</b>		
<b>A.</b>	-1 800	✓	
<b>B.</b>	+ 200	✓	
<b>C.</b>	- 900	✓✓	
<b>D.</b>	No change	✓	
<b>E.</b>	+1 400	✓	
<b>Correct Debtors' Control Account balance</b>	<b>19 000</b>	☑	<b>7</b>

Must include R20 100, Inspection, reasonable or see 1.3.2

**1.3.2 DEBTORS' LIST ON 30 SEPTEMBER 2013**

	-3 200+2 300 (1 mark)	✓ 2 900	
<b>T Stoffels</b>	<b>(3 800 - 900 ✓)</b>		
<b>E Khune</b>	<b>(7 400 + 200 ✓)</b>	✓ 7 600	
<b>S Mashele</b>	<b>(-1 900 + 1 400 ✓)</b>	✓ (500)	
	-1 600 (2 marks)		
<b>M Devnarain</b>	<b>(10 600 - 800 ✓ - 800 ✓)</b>	☑ 9 000	
	One part correct		
<b>Correct total of Debtors' List</b>		<b>19 000</b>	<b>10</b>

Inspection, reasonable or see 1.3.1

<b>TOTAL MARKS</b>
<b>35</b>

## QUESTION 2

- 2.1 Choose a cost category from COLUMN B that matches a description in COLUMN A. Write only the letter (A–E) next to the question number (2.1.1–2.1.4).

2.1.1	E	✓✓	(Direct material)
2.1.2	C	✓✓	(Selling and distribution)
2.1.3	D	✓✓	(Administration)
2.1.4	B	✓✓	(Factory Overhead)

8

- 2.2 2.2.1 PRODUCTION COST STATEMENT FOR THE YEAR ENDED 31 AUGUST 2013

OR 450 000 (1 mark) – 135 000 (1 mark) OR 28 000 x (450 000 ÷ 40 000)	315 000	✓
<b>Direct material cost</b> (28 000✓ x 11,25✓)		
<b>Direct labour cost</b>	<b>985 600</b>	
<b>PRIME COST</b> Operation DMC+DLC, more than 985 600	1 300 600	✓
<b>Factory overhead cost</b>	<b>94 980</b>	
<b>TOTAL MANUFACTURING COST</b> Operation PC+FOHC	1 395 580	✓
<b>Work-in-process (1 September 2012)</b>	<b>12 420</b>	
	1 408 000	
<b>Work-in-process (31 August 2013)</b> Operation: Accept positive figure depending on above	(17 000)	✓
<b>COST OF PRODUCTION OF FINISHED GOODS</b> (R65 x 21 400)	1 391 000	✓✓

8

## FACTORY OVERHEAD COST

<b>Indirect material</b>	<b>7 360</b>
<b>Indirect labour</b>	<b>22 230</b>
<b>Depreciation of factory plant</b>	<b>8 630</b>
<b>Rent Expense</b> 6 600 x 5	✓✓ 33 000
<b>Water and Electricity</b> 6 840 x <sup>75</sup> / <sub>25</sub>	✓✓ 20 520
<b>Sundry factory expenses</b> Operation	✓ 3 240
	<b>94 980</b>

5

2.2.2

**The internal auditor is not satisfied with the direct labour cost for the year. Explain the problem relating to the direct labour cost and quote figures to support your explanation.**

Any valid response Good answer with figures = 3 marks; good answer without figures = 2 marks; part answer = 1 mark; incorrect = 0

**Expected responses:** ✓✓✓

- The workers are earning more through overtime (R563 200) than they are from normal time (R384 000).
- The workers worked 1 200 hours normal time compared to 880 hours overtime / DLC is 71% of total costs.
- Overtime accounts for 57% of the total direct labour cost.
- Normal time is too low possible due to disruption, absenteeism or poor supervision (relevant figures required e.g. 49 weeks x 40 hours = 1 960).

3

**Give TWO possible solutions to this problem.**

**Any TWO valid and separate solutions**

Good answer = 2 marks; part answer = 1 mark; incorrect = 0

**Expected responses for 2 marks:** ✓✓ ✓✓

- Set production targets that must be completed (time and motion studies).
- Better supervision to ensure workers are on duty during normal working hours / rotate supervisors if necessary to prevent abuse.
- Set limits on overtime hours and ensure foreman controls this.
- Reconsider conditions of service e.g. minimum normal hours, overtime rate.
- Employ more workers at normal rate for a full working day throughout the year, then discontinue overtime (cheaper to pay for normal time).
- Anticipate disruption to normal time production (e.g. power cuts, strikes) – have contingency plans in place.

**Expected responses for 1 mark:**

- More normal time to be worked / Less overtime to be worked (same point)
- Train workers

4

2.3

2.3.1

**Calculate the number of units that Sally needed to produce in order to break even in 2013. Could be answered in equation form**

$\frac{R96\,450}{R30} \checkmark = 12\,056,2 \text{ or } 12\,056,3 \text{ or } 12\,056 \text{ or } 12\,057 \checkmark$

$R30 \checkmark - R22 \checkmark \text{ R}8,00 \text{ (2 marks)}$

Any one part correct, no R or % signs

4

2.3.2

**Comment on the number of bags she is producing. Quote figures or financial indicators to support your answer. Refer to the break-even calculation in your answer.**

Comparison to BE calculation = 1 mark; Favourable/Unfavourable=1 mark; Figures = 1 mark.

This is good✓ as she will make a profit as production is (803 / 804)✓ more than the break-even number of units.✓

(12 860 produced; BEP 12 056 / 12 057) See 2.3.1 for figures – use consistently

3

**TOTAL  
MARKS**

35

## QUESTION 3

3.1 Give ONE word/term for each of the descriptions by choosing a word/term from the list. Write only the word/term next to the question number (3.1.1–3.1.4).

3.1.1	Income ✓✓
3.1.2	Current liability ✓✓
3.1.3	Current asset ✓✓
3.1.4	Expense ✓✓

8





## 3.2 SELATI LIMITED

## 3.2.1 INCOME STATEMENT FOR THE YEAR ENDED 30 JUNE 2013

Foreign items –1

<b>Sales</b> (13 120 000✓✓ – 702 000✓)	Any one part correct	<input checked="" type="checkbox"/> 12 418 000	
<b>Cost of sales</b>		<b>(8 200 000)</b>	
<b>Gross profit</b>	Operation	<input checked="" type="checkbox"/> 4 218 000	5
<b>Other income</b>	Operation	<input checked="" type="checkbox"/> 66 220	
Rent income (69 160✓ – 5 720✓✓)	(5200 + 10%) 2 marks Operation if any one part correct	<input checked="" type="checkbox"/> 63 440	
Bad debts recovered		✓✓ 1 700	
Provision for bad debts adjustment	Operation if any one part correct	<input checked="" type="checkbox"/> ✓✓ 1 080	
<b>Gross operating profit</b>	Operation	<input checked="" type="checkbox"/> 4 284 220	11
<b>Operating expenses</b>		<b>(3 348 420)</b>	
<b>Salaries and wages</b> (788 000✓ + 7 000✓✓)	(4 980 + 2 020) 2 marks or nothing Any one part correct	<input checked="" type="checkbox"/> 795 000	
<b>Directors' fees</b>		✓ 1 840 000	
<b>Audit fees</b> (88 000✓ + 7 500✓)		✓ 95 500	
<b>Employer's contribution</b> (81 000✓ + 1 610✓)		✓ 82 610	
Bank charges (31 000✓ – 2 800✓)		✓ 28 200	
Sundry expenses		✓ 89 730	
Bad debts		✓ 12 100	
Repairs and maintenance (125 600✓ + 25 000✓)		✓ 150 600	
Packing material		✓ 41 000	
Loss due to stock theft (40 000 – 32 000)	Any one part correct	<input checked="" type="checkbox"/> ✓ 8 000	
Trading stock deficit (1 534 000✓ – 40 000✓ – 1 475 500✓)	Any one part correct	<input checked="" type="checkbox"/> 18 500	
Depreciation	For depreciation details and balancing figure	<input checked="" type="checkbox"/> <input checked="" type="checkbox"/> 187 180	28
<b>Operating profit</b>	Operation	<input checked="" type="checkbox"/> 935 800	
Interest income	Must be correctly placed	✓ 27 000	
<b>Profit before interest expense</b>	Operation	<input checked="" type="checkbox"/> 962 800	
Interest expense (2 800✓ + 120 000✓✓)	Any one part correct and correctly placed	<input checked="" type="checkbox"/> (122 800)	
<b>Net profit before tax</b>	Operation	<input checked="" type="checkbox"/> 840 000	
Income tax for the year	Operation or if 30% of NPBT	<input checked="" type="checkbox"/> ✓ (252 000)	10
<b>Net profit after tax</b>		<b>588 000</b>	

May be combined as  
R26 500  
(6 marks)



## 3.2.2

NOTE FOR RETAINED INCOME		
Balance at the beginning of the year		735 000
Net profit after tax		✓588 000
Dividends	Operation; one part correct	☑ (505 000)
Interim 2 000 000 x 14	Operation; one part correct	☑✓280 000
Final 2 250 000 x 10c	Operation; one part correct	☑✓225 000
Balance at the end of the year	Operation	☑818 000

7

## 3.3

## AUDIT REPORT

**As a shareholder, why would you be concerned about this audit report? Explain. State THREE points.**

Any THREE separate valid responses

✓✓ ✓✓ ✓✓

Good answer with insight into the points mentioned in the audit report = 2 marks;

Part answer which could repeat information from audit report = 1 mark; incorrect = 0

*Expected responses for 2 marks:*

- This is a disclaimer/withheld/very bad report
- This does not reflect well on the company
- Proper corporate governance procedures have not been carried out
- Proper internal control procedures have not been carried out
- Potential investors (shareholders & lenders) will be deterred from investing in the company
- The share price will be negatively affected (demand for the shares will decline)

*Expected responses for 1 mark:*

- The auditor has mentioned his concerns ('qualified' his opinion)
- No approval for bonuses to directors
- Insufficient documentation for sundry expenses

6

**TOTAL  
MARKS**

75

**QUESTION 4****4.1 Refer to Information 8 regarding the special programmes that are published with the financial statements in the annual report.**

**4.1.1** Any valid response ✓✓  
 Good answer with insight = 2 marks;  
 Part answer which could include repetition from the question = 1 mark; incorrect = 0

**Main benefit of crime prevention programme for the company:**  
*Expected responses for 2 marks:*

- This forms part of their corporate social investment/responsibility which is necessary as the company relies on the goodwill of the community (support/positive image/good publicity) in which they operate.
- Creates a safer environment which encourages customers to visit the business / creates better working environment.
- In accordance with the King Code.

*Expected responses for 1 mark (could be combined for 2 marks):*

- Corporate social investment/responsibility
- Good image / publicity / increases confidence / goodwill in the company
- Reduces theft or crime / Creates safer environment / Safeguard assets
- Increases the profits of the company / Indirectly reduces insurance costs

**Main benefit of training programme for the company:**  
*Expected response for 2 marks:*

- Creates more competent employees who are better able to serve customers
- Creates further goodwill (support/positive image/good publicity) for the company / lead to increased profits in future.

*Expected responses for 1 mark (could be combined for 2 marks):*

- Makes employees more efficient / Develop skills of staff (same point)
- Serves customers better / Increases the profits of the company
- Good image / publicity / increases confidence / goodwill in the company
- Tax deductible

4

**4.1.2 Apart from the points mentioned above, why would the directors want to mention these programmes in the annual report? Explain.**

Any valid response ✓✓ Good answer = 2 marks; part answer = 1 mark; incorrect = 0

Any valid points not mentioned above e.g. King Code / goodwill / create a good impression of the company / directors will want the stakeholders to know about these issues / attract investment in the company (shareholders/lenders).

2

**4.2 CASH FLOW STATEMENT FOR THE YEAR ENDED 28 FEBRUARY 2013**If no workings but figure correct, award full working marks to the figure if correct  
 Method mark on answer is awarded for correct use of brackets/no brackets

<b>CASH EFFECTS OF OPERATING ACTIVITIES</b>		
<b>Income tax paid</b> 360 000✓ – 9 000✓ – 28 000✓ 1 200 000 – 840 000 OR - 360 000 + 9 000 + 28 000	<b>A</b>	✓ (323 000)
<b>Dividends paid</b> 210 000✓ + 280 000✓ OR – 210 000 – 280 000 (455 000 – 175 000)	<b>B</b>	✓ (490 000)
<b>CASH EFFECTS OF FINANCING ACTIVITIES</b>		
<b>Proceeds of shares issued</b> 500 000✓ + 400 000✓ OR 4 700 000 – 3 800 000	<b>C</b>	✓ 900 000
<b>Increase/Decrease in loans</b> 2 800 000 – 2 100 000	<b>D</b>	✓✓ (700 000)
<b>Net change in cash and cash equivalents</b> <b>Operation</b>	<b>E</b>	✓ 258 000
<b>Cash and cash equivalents (1 March 2012)</b>	<b>F</b>	✓✓ (180 000)
<b>Cash and cash equivalents (28 February 2013)</b>		<b>78 000</b>

15

**4.3 Calculate the following financial indicators for the financial year ending 28 February 2013:****4.3.1 Percentage net profit after tax on sales**

$$\frac{840\,000 \checkmark}{6\,200\,000 \checkmark} \times 100$$

$$= 13,5\% \text{ or } 13,548\% \text{ or } 13,55\% \checkmark$$

Any one part correct if calculated as a % (% sign not necessary in this case)

3

**4.3.2 Earnings per share**

$$\frac{840\,000 \checkmark}{700\,000 \checkmark} \times 100$$

$$= 120 \text{ cents or R1,20} \checkmark$$

Any one part correct & shown as cents or Rands

3

**4.3.3 Debt-equity ratio**

$$\frac{2\,100\,000 \checkmark}{5\,285\,000 \checkmark}$$

$$= 0,4 : 1 \text{ or } 0,397 : 1 \checkmark \text{ (accept } 0,39 : 1)$$

Any one part correct & shown as a ratio x:1

3

**4.3.4 Return on average shareholders' equity (ROSHE)**

$$\frac{840\,000 \checkmark}{\frac{1}{2} \checkmark (5\,285\,000 \checkmark + 4\,000\,000 \checkmark)} \times 100$$

4 642 500 (3 marks)

$$= 18,1\% \text{ or } 18,09\% \checkmark$$

Any one part correct & shown as a %

5

4.4

**The directors are of the opinion that the operating efficiency of the company has improved. Quote and explain TWO financial indicators (with figures) to support their opinion.**

Financial indicators ✓ ✓ Valid explanations (with figures) ✓ ✓

Operating expenses on sales – decreased from 32% to 25% (improvement in control of expenses)

Operating profit on sales – increased from 15,8% to 22% (improvement in efficiency / profit)

Net profit after tax on sales – increased (see 4.3.1) from 11,3% to 13,5% (improvement in efficiency / profit)

4

4.5

**The shareholders are happy with their return, earnings and dividends. Quote and explain THREE financial indicators (with figures) to support their opinion.**

Trends in financial indicators (with figures) ✓ ✓ ✓

Valid explanations which go further than trends ✓ ✓ ✓

**Comment on shareholders' return:**

This has increased from 15,2% to 18,1% ☒ (see 4.3.4)

Good return/Greater than return on alternative investment opportunities ☒

**Comment on earnings:**

These have increased from 90 cents to 120 cents. ☒ (see 4.3.2)

This indicates a significant increase in the earnings (33%) / Will have a good influence on share price. ☒

**Comment on dividends:**

These have decreased from 82 cents to 65 cents. ✓

The company is now retaining more of its earnings. ☒ (see 4.3.2)

2012:  $(8/90 \times 100)$  9% retained      2013:  $(55/120 \times 100)$  46% retained

6

4.6

**New shares were issued at the beginning of the financial year at R9,00 each. As an existing shareholder, would you be satisfied with this issue price?**

**Yes/No:** Yes ✓

**Quote TWO financial indicators (with figures) to explain your opinion:**

Shares were sold for more ✓ than the NAV (900/755 or 900/667) ✓

Shares were sold for more ✓ than the market value (900/840 or 900/820) ✓

5

4.7

**A large loan repayment was made. Comment on whether this was a good idea or not. Quote TWO financial indicators (with figures) to support your comment.**

*Note that the comment and the explanation of financial indicators could be combined into one statement.*

*Expected response for comment:*

✓  
Not a good idea. There is positive gearing / lower financial risk. ✓

*Expected response for financial indicators (with figures):*

ROTCE is 19,3% ✓ (interest rate is 8%)

Debt-equity ratio is now 0,4 : 1 ✓ (from 0,7 : 1)

4

4.8

Apart from the dividends and the loan, what other major decisions by the directors are reflected in the Cash Flow Statement? State TWO major decisions and quote the relevant figures. Also explain how EACH of these decisions would benefit the company in the future.

Decision 1 (with figures)	Explanation of benefit to company
Issue of additional shares ✓ (R900 000 ✓) This must be mentioned as it is the most significant	Improves the cash flow in the company / Eliminated the bank overdraft / Reduced the loan / To buy additional assets to improve efficiency ✓
Decision 2 (with figures)	Explanation of benefit to company
Fixed assets purchased ✓ (R400 000 or R314 000 ✓) OR Fixed assets sold (R86 000)	Improves the operating efficiency / leads to future gains ✓  OR Improves cash flow or could improve efficiency

6

TOTAL  
MARKS

60

**QUESTION 5**

**5.1 Complete the following sentences by filling in the missing word(s). Write only the word(s) next to the question number (5.1.1–5.1.3).**

**5.1.1 The main purpose of preparing the Cash Budget is ...**

*Expected responses:* Any valid answer with future implications ✓✓  
To plan  
To predict cash flows/determine receipts & payments for the future  
To control cash

*Note: Do not accept reference to Income and Expenditure*

2

**5.1.2 ONE item in the Cash Budget that will not be reflected in a Projected Income Statement is ...**

Any valid answer ✓✓

Loan / Assets / Payments to creditors / Drawings

Receipts from debtors / Fixed deposits / Capital / Dividends

2

**5.1.3 ONE item that will appear in a Projected Income Statement but not in a Cash Budget is ...**

Any valid answer ✓✓

Depreciation / Bad debts / Discount received and allowed

Profit/loss on sale of asset

2

**5.2 Calculate the missing figures in the Debtors' Collection Schedule and the Cash Budget indicated by A to H:**

	CALCULATION	ANSWER
<b>A</b>	40% x 300 000	All or nothing ✓✓ 120 000
<b>B</b>	$\frac{36\,000}{20\% \times 180\,000} - 1\,800$ (20% x 180 000) ✓ x 95% ✓ OR (57 000 / 300 000 x 180 000): 2 marks	Any one part correct ☑ 34 200
<b>C</b>	If R63 000 more than A+B	Operation ☑ 217 200
<b>D</b>	350 000 ✓ x 40% ✓ OR 210 000 (1 mark) / 60 x 40 (1 mark) OR 350 000 (1 mark) – 210 000 (1 mark)	Any one part correct ☑ 140 000
<b>E</b>	$\frac{500\,000 \times 100}{250\,000 \times 80\%}$ 250 000 ✓ x 80% ✓	Any one part correct ☑ 200 000
<b>F</b>	$\frac{400\,000 - 40\,000}{360\,000} \times \frac{12\%}{1\%}$ 360 000 ✓ x 1% ✓ OR 43 200 (1 mark) ÷ 12 (1 mark)	Any one part correct ☑ 3 600
<b>G</b>	(R1 300 x 1,06: 2 marks) (6 x R5 512: 3 marks) 6 ✓ x R1 378 ✓ x 4 weeks ✓ OR R22 048 x 6 ÷ 4 1 mark 1 mark 1 mark OR R22 048 + 11 024 1 mark 2 marks	Any one part correct ☑ R33 072
<b>H</b>	$\frac{6\,758 \times 100}{6\,758 - 558} \div 109$ OR 6 758 ÷ 1,09 OR 6 758 – 558 (6 758 x 9 ÷ 109)	Any one part correct ☑ 6 200

22



**5.3 Explain what you would say to Peter about each of the following items at the end of November, and give ONE point of advice in EACH case:**

	EXPLANATION ✓ ✓ ✓	ADVICE ✓ ✓ ✓
<b>Telephone</b>	Overspent/ Under-budgeted/ Not well controlled Negative variance	Check private calls/ Budget more realistically for business calls
<b>Sundry expenses</b>	Well budgeted/ Well controlled Nil variance / Same	Stick to the budget/ Maintain this in future/Keep it up Try to reduce in future
<b>Rent income</b>	Received less than budgeted/ Not well controlled Negative variance	Investigate payment by tenant/ Keep property occupied Employ debt collector Budget more realistically

6

**5.4 In order to increase sales and the number of customers, Peter intends to advertise that credit limits for all credit customers will be increased to R35 000 and that new customers are welcome to open accounts during April.**

**Give THREE points of advice to Peter in this regard.**

Any THREE separate valid points ✓✓ ✓✓ ✓✓

Good answer = 2 marks; part answer = 1 mark

*Expected responses for 2 marks:*

- Do not sell more on credit as this will worsen the overdraft (60% of his existing sales are already on credit, and 50% settle after 30 days).
- He must screen debtors properly (e.g. pay slip / credit reference), not simply allow them to open accounts without checking ability to pay (contravention of consumer legislation).
- Only increase credit limits of customers who settle their debts promptly (preferably within 30 days).
- He must improve the rate of collections from debtors by offering discount (50% of debtors settle after 30 days).
- He must improve the rate of collections from debtors by charging interest (50% of debtors settle after 30 days).
- He must provide for additional administration costs (e.g. salaries of clerk, bad debts) to control the debtors.
- He must introduce more working capital into the business to finance the stock sold on credit (as the debtors will pay later).

*Expected responses for 1 mark:*

- Improve debtors collections
- Take precautions to prevent slow payers
- Provide for bad debts

6

**TOTAL MARKS**

**40**

**QUESTION 6****6.1 FIXED ASSETS**

**6.1.1 Calculate the missing figures indicated by A, B and C in the Fixed Asset Note:**

	CALCULATION	ANSWER
<b>A</b>	R3 000 000 – R2 100 000	✓✓ All or nothing R900 000
<b>B</b>	R112 000 ✓✓ + R54 000 ✓✓✓ 20% x (780 000 – 220 000) 360 000 x 20% x 9/12	Any one part correct ✓ R166 000
<b>C</b>	If B + 220 000	Operation ✓ R386 000

9

**6.1.2****LEDGER OF ULWAZI LTD  
ASSET DISPOSAL ACCOUNT**

2013 Jan	31	Equipment ✓	✓18 000	2013 Jan	31	✓ Accu depr on equipment 6 750✓ + 3 750✓✓	One part of workings correct ✓10 500
						Bank ✓	✓ 800
						Loss on disposal of asset ✓	Operation ✓ 6 700
			18 000			May be a profit, depending on figures	18 000

11

**6.1.3**

**You are the internal auditor. State TWO concerns that you would voice in respect of the fixed assets with the board of directors. Explain in EACH case why you are concerned.**

Reason must correspond to the concern

CONCERN Any TWO ✓ ✓	REASON Any TWO ✓ ✓
Land and buildings were sold at cost price	Should have been sold at its current market value
Unreasonable purchase price for a computer (R800) taken by CEO	A loss of R6 700 has been incurred / he should be charged the fair market value / unethical
Nepotism shown by the CEO	Land and buildings were not sold at its current market value / was not advertised to public / Deal has been finalised with his wife / Corruption
Land and buildings being used to solve a cash flow problem	Land and building normally appreciate in value (loss of possible profits)
Vehicles were bought (R360 000)	These might not be necessary

4

6.2 6.2.1

**Value of closing stock according to the FIFO method**

# 730 ✓ x R120 ✓ ✓R87 600  
 If 970 – # One part correct Operation ✓  
 240 ✓ x R100 ✓ R24 000  
 OR (Choose only one method to mark) Operation  
 48 000 + 503 100 – 18 000 – 6 000 – 415 500 ✓R111 600  
 1 mark 1 mark 1 mark 1 mark 2 marks

7

6.2.2

**Calculation of mark-up percentage (%) achieved on cost**

504 000 – 415 500 (2 or nothing)

✓✓

Any one part correct

$\frac{88\,500}{R415\,500} \times 100 = 21,3\% \text{ or } 21,29\%$  ✓  
 ✓

**Calculation of stock holding period (use average stock in your calculation)**

See 6.2.1 must be added to 48 000 to get the method mark

Award 2 marks for average stock if correct (see 6.2.1) even if as denominator.

79 800

$\frac{1}{2} \checkmark (R48\,000 + R111\,600 \checkmark) \times \frac{365}{R415\,500 \checkmark} \times \frac{365}{1}$

= 69,35 days or 70 days or 2,3 months ✓

Operation, one part correct, shown in days or months

8

6.2.3

**The business aims at a mark-up of 30% on cost. As the internal auditor, what would you investigate? Explain. State TWO points.**

See 6.2.2 above. Points below will depend on MU% calculated.

Any TWO ✓✓ ✓✓ Good answer = 2 marks; part answer = 1 mark

- Excessive trade discounts offered to customers
- Incorrect mark-up calculations
- Too many items sold at seasonal sales (discounts)
- Excessive stock on hand leading to clearance sales
- Theft of cash / stock
- Counter competitors' prices

OR:

- Will have to increase selling (marked) prices in future
- Buy in bulk
- Cheaper supplier

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6.2.4

**The stock holding period for 2012 was 30 days. Should Mohammed be satisfied with the stock holding period for 2013? Explain.**

See 6.2.2 above. Points below will depend on stock period calculated.

Yes/No: ✓ Explanation: ✓✓ Good answer = 2 marks; part answer = 1 mark

*Explanation for NO:*

- The stock holding period has increased (from 30 days to 70 days).
- This is not good as money is tied up in stock
- Stock might not be sold if it deteriorates
- More chance of stock theft

*Explanation for YES:*

- Stock levels too low in 2012 and now less likely to run out of stock
- Better prices through bulk purchases.

3

6.3

Identify ONE problem with regard to each shop, quoting figures in identifying each problem. In EACH case, advise Sizwe on how to solve the problem.

SHOP 1: THANDEKA	
<b>Problem identified (with figures)</b> Problem✓ Figure✓	Printer being overused (70 000 copies). Printer is old and is fully written off (R1,00). Maintenance becomes expensive (R4 000). R18 000 is missing from fees collected.
<b>Advice ✓</b>	Printer needs to be replaced. Needs to investigate reason for R18 000 shortage in fee income (disciplinary action might be necessary). Division of duties to prevent fraud.
SHOP 2: DLUDLU	
<b>Problem identified (with figures)</b> Problem✓ Figure✓	Ink and consumable items used (R19 500) is high. High number of spoilt copies (5 870).
<b>Advice ✓</b>	Dludlu needs training in the use of the printer to minimise spoilt copies and reduce cost of ink and consumables. Return printer to supplier if warranty still in operation. Repair the printer.
SHOP 3: SIPHO	
<b>Problem identified (with figures)</b> Problem✓ Figure✓	Low number of copies made. Not meeting capacity. New printer underutilised (20 000/50 000). Business is making very small profit (R2 400 or R1 234).
<b>Advice ✓</b>	Consider closing down this shop (after investigating why there is a low number of copies made, e.g. manager might be lazy, shop might be situated in poor location) Advertise to increase sales. Move the printer to Shop 1 / Swop printers.

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<b>TOTAL MARKS</b>
<b>55</b>

**TOTAL: 300**