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Department:
Basic Education
REPUBLIC OF SOUTH AFRICA

SENIOR CERTIFICATE EXAMINATIONS

ACCOUNTING

2016

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 foreign item 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 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. 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 before awarding the mark.
10. In awarding method marks, ensure that candidates do not get full marks for any item that is incorrect at least in part.
11. Be aware that some candidates provide valid alternatives beyond the memorandum.
12. Codes: f = foreign item; p = placement/presentation.

This memorandum consists of 18 pages.

QUESTION 1**VALUE-ADDED TAX****1.1**

| | |
|--------------|---------|
| 1.1.1 | True ✓ |
| 1.1.2 | False ✓ |
| 1.1.3 | False ✓ |

3**1.2.1**

Calculate the VAT amount that is either payable to or receivable from SARS.

62 300: three marks
 44 800 ✓ + 69 300 ✓ – 7 000 ✓✓
 – 23 520 ✓ – 6 440 ✓ – 4 900 ✓
 + 840 ✓✓ – 2 352 ✓✓
 = 70 728 ✓

appropriate operations one part correct

Accept alternative arrangement for calculations
 (signs reversed; VAT control account, etc.)

Mark one line only – cannot mix signs (award
 highest mark)

| VAT CALCULATION | |
|------------------------|-------------------|
| VAT INPUT | VAT OUTPUT |
| 23 520 | 44 800 |
| 6 440 | 69 300 |
| 4 900 | 840 |
| 7 000 | |
| 2 352 | |
| 70 728 | |
| 114 940 | 114 940 |

12**1.2.2**

What comment would you offer Nelson concerning this practice? State ONE point.

Any valid comment ✓✓ (must mention legal/ethical issue) Award part marks for incomplete answer

Nelson must keep accurate records of VAT and make timeous submissions to SARS for the following reasons:

- It is illegal/unethical business practice (fraud)/not prudent practice.
- The business is an agent of SARS –money collected on behalf of SARS.
- The business will be liable for penalties and fines.

2

1.3 CREDITORS' RECONCILIATION

| 1.3.1 | CREDITORS' LEDGER | CREDITORS' RECONCILIATION STATEMENT |
|----------------|---|---|
| Balance | 110 170 | 111 600 |
| (a) | -11 100 ✓ | |
| (b) | + 5 000 ✓ | |
| (c) | | - 28 800 ✓ |
| (d) | + 1 650 ✓✓ | |
| (e) | - 2 400 ✓✓ | |
| (f) | | - 5 400 ✓✓ -2 700 1 mark -2 700 1 mark |
| (g) | + 3 300 ✓ | |
| (h) | | - 13 800 ✓ |
| | | - 1 380 ✓ |
| | | + 44 400 ✓ |
| | | -15 180 two marks +29 220 three marks |
| | 106 620 <input checked="" type="checkbox"/> (both totals) | 106 620 |

14

Foreign items -1 per line if candidate earned a mark on that line

1.3.2 State TWO internal control measures that the business can use to prevent similar incidents from happening in future.

Any TWO relevant control measures ✓✓ ✓✓ No part marks to be awarded

- Division of duties / rotate duties. (Pearl must not be the only person responsible for ordering and recording goods.)
- Have special order forms to be signed by two people.
- Check documents regularly against deliveries.
- Do regular/random stock counts to verify stock records.

4

TOTAL MARKS**35**

QUESTION 2**2.1 ABE ACCESSORIES****2.1.1 Factory Overhead Cost Note** Presentation or incorrect / incomplete details -1 max -2

| | |
|--|------------------------------|
| Consumable stores | ✓129 300 |
| Salaries and wages: factory workers (97 500✓ + 3 800✓ + 380✓) 4 180 two marks 101 300: two marks 97 880: two marks | one part correct ☑101 680 |
| Sundry expenses: factory | ✓31 500 |
| Water and electricity (50 000✓ + 4 000✓) x 60%✓ OR 30 000 one mark + 2 400: two marks | one part correct ☑32 400 |
| Insurance (24 000 ✓ – 6 000 ✓) x $\frac{3}{6}$ ✓ (24 000 x $\frac{12}{16}$) x $\frac{3}{6}$ | one part correct ☑9 000 |
| operation - one part correct | ☑303 880 |

15

Foreign items: -1 max -2

2.1.2 Production Cost Statement for the year ended 29 February 2016

| | |
|--|----------------|
| Direct material | 350 000 |
| Direct labour cost balancing figure cannot be 0 or less | ☑190 000 |
| Prime cost/Direct cost TCOP - FOHC | ☑540 000 |
| Factory overhead cost see 2.1.1 | ☑303 880 |
| Total cost of production operation bottom up | ☑843 880 |
| Work-in-process at beginning of year | ✓30 640 |
| | 874 520 |
| Work-in-process at end of year where no brackets inspect subtraction | ✓(9 320) |
| Cost of production of finished goods 10 500 x 82,40 | ✓✓865 200 |

8

2.2 NEW FASHION MANUFACTURERS**2.2.1 Gloria is concerned about the wastage of direct materials. Calculate the number of metres of fabric that was wasted.**

Needed

$$4\,500 \times 2,5 = 11\,250 \text{ metres } \checkmark\checkmark$$

Issued to factory:

$$11\,500 \text{ metres } \checkmark\boxed{\checkmark} (525 + 12\,450 - 1\,475) \text{ one part correct}$$

$$\text{Wasted: } 11\,500 - 11\,250 = 250 \text{ metres } \boxed{\checkmark} \text{ one part correct}$$

5

Gloria feels that the wastage is significant. Provide a calculation to support her opinion.

$$250 \boxed{\checkmark} / 2,5 \text{ metres } \checkmark = 100 \text{ dresses } \boxed{\checkmark} \text{ one part correct}$$

OR

$$250 / 11\,500 = 2,2\% \text{ of material sent to the factory}$$

OR

$$100 / 4\,500 = 2,2\% \text{ of units sold}$$

OR

$$250 / 11\,250 = 2,2\% \text{ of material needed}$$

3

2.2.2 Give TWO possible reasons for this wastage and, in EACH case, give advice to prevent this from happening in future.

| Reason (any TWO) $\checkmark \checkmark$ | | Advice $\checkmark \checkmark$ |
|---|---------------------------------------|--|
| 1. | Unskilled workers; lack of efficiency | Training of workers |
| 2. | Poor quality of material | Change supplier Inspect (check) quality of material delivered |
| OR | Unavoidable wastage due to offcuts | Use offcuts to diversify |
| | Lack of supervision | Increase monitoring and supervision/ train supervisor |

4

2.2.3 Calculate the break-even point for the year ended 29 February 2016.

$$\frac{900\,000 \checkmark}{(650 \checkmark - 350 \checkmark)}$$

$$300 \text{ two marks}$$

$$3\,000 \text{ units } \boxed{\checkmark} \text{ one part correct}$$

4

Explain why the business should be satisfied with the number of units made during the current financial year. State TWO points.Any TWO of the following $\checkmark\checkmark \checkmark\checkmark$ no figures necessary mark in line with calculation above

Possible responses:

- They are producing 1 500 units more than break-even.
- They are producing 700 units more than last year
- The break-even point is 200 less than last year.

4

2.2.4 What effect will the import of the material have on the production cost of a dress? Provide a calculation to support your answer.

The production cost per dress will decrease ✓ by R75.
(2,5✓ x R30✓)

3

State TWO other consequences of importing the direct material.

Any TWO valid consequences ✓✓ ✓✓ No part marks to be awarded

Any possible response:

- Local producer will lose business – more unemployment
- Not easy to get stock on short notice / shipping delays
- Change in exchange rate could affect the cost/profit without notice
- Whether she should decrease the selling price of dresses or not
- Lose clients – cannot advertise support for local products
- Increase in import costs in future
- Not easy to return poor quality materials

4

TOTAL MARKS

50

QUESTION 3

3.1 CONCEPTS

| | | | |
|-------|------------------------------------|---|---|
| 3.1.1 | First in first out (FIFO) | ✓ | |
| 3.1.2 | Perpetual inventory system | ✓ | |
| 3.1.3 | Specific identification method | ✓ | |
| 3.1.4 | Periodic / Weighted-average method | ✓ | |
| | | | 4 |

3.2.1 Calculate the value of the closing stock on 29 February 2016 using the weighted-average method.

Unit costs:

$$= \frac{320\,770 \checkmark + 1\,392\,380 \checkmark - 22\,650 \checkmark}{520 \checkmark + 1\,960 \checkmark - 30 \checkmark}$$

$$= \frac{1\,690\,500}{2\,450} \quad \begin{matrix} 3 \text{ marks} \\ 3 \text{ marks} \end{matrix}$$

$$= 690 \quad \text{six marks}$$

Stock value:

$$690 \times 325 \checkmark = R224\,250 \checkmark \quad \text{one part correct}$$

8

3.2.2 Calculate the following for the year ended 29 February 2016:

Cost of sales:

| | | |
|-----------------------|------------------------------|-------------|
| Opening stock | | 320 770 |
| Purchases | | 1 347 500 |
| Returns | | (22 650) |
| Carriage on purchases | | 44 880 |
| | See 3.2.1 | ✓ 1 690 500 |
| Closing stock | See 3.2.1 | ✓ (224 250) |
| Cost of sales | Operation - one part correct | ✓ 1 466 250 |

Gross profit:

| | | |
|-----------------------|------------------------------|---------------|
| Sales (2 115 x 1 400) | | ✓ 2 961 000 |
| Cost of sales | See above | ✓ (1 466 250) |
| Gross profit | Operation - one part correct | ✓ 1 494 750 |

6

3.2.3 Calculate the average stock-holding period (in days) on 29 February 2016.

$$\frac{272\,510 \text{ three marks } \checkmark \text{ see 3.2.1}}{\frac{1}{2} \checkmark (320\,770 \checkmark + 224\,250 \checkmark)} \times 365$$

$$\frac{272\,510}{1\,466\,250 \checkmark \text{ see 3.2.2}} \times 365$$

$$= 67,8 \text{ days } \checkmark \quad \text{operation one part correct}$$

$$\frac{422,50 \text{ three marks; } 845 \text{ two marks}}{\frac{1}{2} (520 + 325)} \times 365$$

$$\frac{422,50}{2\,115} \times 365$$

$$= 72,9 \text{ days}$$

5

3.2.4 Calculate the value of the closing stock by using the FIFO method.

$$\begin{aligned}
 (300 - 30) \\
 270 \checkmark \times R755 \checkmark &= R203\,850 \checkmark \text{ one part correct} \\
 325 - 270 \text{ 325 – figure above} \\
 55 \checkmark \times R740 \checkmark &= R40\,700 \checkmark \text{ one part correct} \\
 &= R244\,550 \checkmark \text{ one part correct}
 \end{aligned}$$

7

3.3.1 Identify ONE problem in Shop 1 and ONE problem in Shop 2. Quote figures. In EACH case, state ONE point of advice.

| Branch | Problem ✓ ✓ Figure ✓ ✓ | Advice ✓ ✓ |
|--------|--|---|
| Shop 1 | <ul style="list-style-type: none"> Stock-holding period, 180 days (too much money invested in stock) Mark-up % of 90% (leads to low sales of 350 000) Do not accept advertising. | <ul style="list-style-type: none"> Purchase stock in smaller quantities. Decrease the mark-up % to increase sales. |
| Shop 2 | <ul style="list-style-type: none"> Returns are high: 15% of sales/R36 000 Advertising too low, R4 800 /2% of sales Open for 5 days only Low mark-up: 50% Only 2 shop assistants | <ul style="list-style-type: none"> Sell correct/good quality items to customers to avoid returns/Review the returns policy. Increase advertising to increase sales. Open another day. Increase mark-up % to increase sales Employ more shop assistants |

6

3.3.2 Explain TWO good decisions that Chad has made in respect of Shop 3. Quote figures.

Explanation ✓ ✓ Figures ✓ ✓

Any TWO of the following

- Good quality goods and/or good customer services resulted in fewer goods returned by customers – 19 000 (2% of sales)
- Working 7 days a week resulted in good/high sales – R950 000
- Advertised more – R47 500 (5% of sales)
- Rent expense (R96 000) indicates shop is in a good area resulting in higher sales
- Having 6 assistants to cope with large sales
- Selling at the right price (60% mark-up) which led to high sales (R950 000)

4

TOTAL MARKS**40**

QUESTION 4**4.1 CONCEPTS**

| | | |
|-------|---|---|
| 4.1.1 | B | ✓ |
| 4.1.2 | D | ✓ |
| 4.1.3 | A | ✓ |
| 4.1.4 | C | ✓ |

4

4.2 PARADISE LIMITED**4.2.1 Ordinary share capital** Presentation or incorrect / incomplete details -1 max -2

| | | |
|-------------|---|-------------|
| 3 000 000 | shares in issue at beginning | ✓6 000 000 |
| 1 000 000 | shares issued during the financial year | ✓5 000 000 |
| (200 000) | shares repurchased (average issue price: R2,75 ✓ per share) must be in brackets or subtracted if 200 000 or R2,75 is used | ☑(550 000) |
| 3 800 000 ✓ | shares in issue at end operation one part correct | ☑10 450 000 |

6

Retained income Presentation or incorrect / incomplete details -1 max -2

| | |
|---|------------------|
| Balance at beginning of year | 1 634 000 |
| Funds used for shares repurchased (200 000 x R1,10) OR 770 000 – OSC amount above Do not accept 770 000 as a final -1 if no brackets | ☑☑(220 000) |
| Net profit after tax (3 800 000 ✓ – 1 064 000✓) one part correct | ☑2 736 000 |
| Ordinary share dividends must be in brackets or subtracted operation one part correct | ☑(2 600 000) |
| Interim | ✓840 000 |
| Final (4 000 000 x $\frac{44}{100}$) one part correct | ✓☑1 760 000 |
| Balance at end of year check operation one part correct | ☑1 550 000 |

10

4.2.2 BALANCE SHEET (STATEMENT OF FINANCIAL POSITION) ON 29 FEBRUARY 2016

| | | |
|----|--|------------------|
| | ASSETS | |
| | NON-CURRENT ASSETS TA - CA | ✓11 918 400 |
| | Fixed assets (12 278 400✓ – 890 000✓) | ✓11 388 400 |
| 5 | Fixed deposit: Sandton Bank balancing figure | ✓530 000 |
| | CURRENT ASSETS | 3 538 600 |
| | ✓ Inventories balancing figure / CL x 0,5 | ✓1 361 000 |
| | ✓ Trade and other receivables (356 000✓ – 17 800✓✓ + 6 800✓) 338 200 3 marks | ✓345 000 |
| | ✓ Cash and cash equivalents CL x 0,8 – TOR (above) | ✓✓1 832 600 |
| 12 | TOTAL ASSETS see total equity + liabilities | ✓15 457 000 |
| | EQUITY AND LIABILITIES | |
| | ORDINARY SHAREHOLDERS' EQUITY operation | ✓12 000 000 |
| | Ordinary share capital refer 4.2.1 | ✓10 450 000 |
| 3 | Retained income refer 4.2.1 | ✓1 550 000 |
| | NON-CURRENT LIABILITIES | 735 000 |
| 4 | Loan from Director: J Jonas (1 155 000✓ – 420 000 ✓✓) (35 000 x 12) one part correct | ✓735 000 |
| | CURRENT LIABILITIES CA/1,3 | ✓✓2 722 000 |
| | Trade and other payables (478 000 ✓ + 12 000 ✓) If balancing figure | ✓490 000 |
| | SARS: Income tax (1 064 000 ✓ – 1 012 000 ✓) See Retained Income Note | ✓52 000 |
| | Current portion of loan see NCL above | ✓420 000 |
| | Shareholders for dividends refer 4.2.1 | ✓1 760 000 |
| 11 | TOTAL EQUITY AND LIABILITIES operation | ✓15 457 000 |

35

Foreign entries -1 max -2

Presentation/incorrect or incomplete details -1 max -2

All current liabilities may be shown as trade and other payables

4.3 AUDIT REPORT

4.3.1 What type of audit report did Topstar Ltd receive? Choose from the following: unqualified, qualified, disclaimer.

Unqualified ✓

Reason: Any valid reason ✓✓ No part marks

- The external auditor has not stated any irregularities in the audit report.
- The audit report indicates that there were no issues that were found to be irregular.

3

4.3.2 To whom is an audit report addressed?

Shareholders ✓

Reason: Any valid reason ✓✓ No part marks

- The independent auditors are appointed by the shareholders at the AGM.
- The shareholders are the owners of the company (contributed the capital).

3

4.3.3 Explain why the auditor mentioned IFRS in the audit report.

Any valid explanation ✓✓ Part marks can be awarded for partial answers

- The financial statements can be compared to international standards.
- The company operates in a global economy.
- Shareholders may be from various parts of the world.

2

Explain why the auditor mentioned the Companies Act (Act 61 of 1973) in the audit report.

Any valid explanation ✓✓ Part marks can be awarded for partial answers

- This assures the shareholders that the company is abiding by the law.
- Standards are maintained.
- This satisfies the shareholders that their investment is safe.
- This creates investor confidence in the company.
- The Companies Act dictates how the financial statements are to be presented

2

TOTAL MARKS

65

QUESTION 5**5.1 CONCEPTS**

| | | |
|--------------|-----------------------|---|
| 5.1.1 | Non-current liability | ✓ |
| 5.1.2 | Shareholders' equity | ✓ |
| 5.1.3 | Current asset | ✓ |
| 5.1.4 | Financial asset | ✓ |

4

5.2 MAFUSA LTD**5.2.1**

| | |
|--------------|--|
| (a) 2 | $3\,640\,000 - 2\,002\,000 = 1\,638\,000$ ✓✓ No part marks |
| (b) 5 | $750\,000 \checkmark - (491\,750 \checkmark + 37\,500 \checkmark \checkmark) = 220\,750 \checkmark$ $529\,250 \text{ 3 marks}$ one part correct |
| (c) 7 | (Sold): $37\,500 \checkmark$ refer (b) (New): $900\,000 \times 15\% \times \frac{5}{12} = 56\,250$ ✓✓ (Old): $2\,890\,000 \checkmark \checkmark \times 15\% = 433\,500 \checkmark$ one part correct $(3\,640\,000 - 750\,000)$ Total: $527\,250 \checkmark$ one part correct |
| (d) 2 | $3\,640\,000 + 900\,000 - 750\,000 = 3\,790\,000$ ✓✓ one part correct |

16

5.2.2 Calculate the income tax paid.

$$1\,279\,000 - 895\,300$$

$$8\,700 \checkmark + 383\,700 \checkmark \checkmark - 9\,900 \checkmark = 382\,500 \checkmark$$
one part correct
No part marks

Accept alternative arrangements (signs reversed and T account).

5

Calculate the net changes in cash and cash equivalents.

| | | |
|-----------------|----------|-----------------|
| | 163 000 | One method mark |
| 54 750 - 92 000 | (37 250) | Two marks |
| | 125 750 | One mark |

$$71\,000 \text{ 2 marks}$$

$$125\,750 \checkmark - 54\,750 \checkmark + 92\,000 \checkmark = 163\,000 \checkmark$$
one part correct

$$125\,750 + 37\,250 \text{ 2 marks} = 163\,000$$

$$(54\,750 - 92\,000)$$
Signs must be correct

4

| | | |
|-------|--|--|
| 5.2.3 | CASH FLOW FROM FINANCING ACTIVITIES | 50 000 <input checked="" type="checkbox"/> One part correct |
| | Proceeds from <u>shares</u> issued | 1 600 000 ✓✓ |
| | Funds used to repurchase <u>shares</u> | (600 000)✓✓ |
| | Decrease in <u>loan</u> | (950 000)✓✓ |

7

-1 per line for incorrect use of brackets

Presentation or incorrect / incomplete details -1 max -2

5.2.4 Calculate the return on average shareholders' equity.

$$\frac{895\,300 \checkmark}{\frac{1}{2} \checkmark (6\,142\,800 \checkmark + 7\,166\,850 \checkmark)} \times 100 = 13,5\% \checkmark \quad \text{one part correct ; in \% accept 13,45\%}$$

6 654 825 3 marks

5

Calculate the net asset value.

$$\frac{7\,166\,850 \checkmark}{925\,000 \checkmark} \times \frac{100}{1} = 774,8 \checkmark \quad \text{one part correct, must indicate R or cents OR 775 cents accept R7,75}$$

3

5.2.5 Comment on the overall liquidity position of the company. Quote THREE relevant financial indicators (with figures).

Any valid comment ✓✓ Part marks for partial answers can be awarded

Expected responses, e.g.:

- The business is liquid/should have no problem in paying off its short-term debts.
- Although the liquidity is good, the debtors are taking too long to pay.

Quoting of financial indicators ✓ ✓ ✓

Quoting of figures ✓ ✓ ✓

Any THREE valid indicators

The current ratio is 1,8 : 1 / increased from 1,7 : 1 to 1,8 : 1

The acid-test ratio is 0,9 : 1 / decreased from 1,3 : 1 to 0,9 : 1.

The stock-holding period is 52 days / decreased from 68 to 52 days.

The debtors' collection period is 47 days / increased from 30 to 47 days.

The creditors' payment period is 30 days / was constant on 30 days.

8

5.2.6 The directors decided to change the dividend pay-out policy in 2016. Provide calculations that indicate the policy change.

In 2015, the company paid 40 cents (DPS) of 112 cents (EPS) – 36%✓✓
 In 2016, the company paid 105 cents (DPS) of 107 cent (EPS) – 98%✓✓
 OR pay out increased by 62% four marks

For one mark each:

DPS changed from 40 to 105 cents / DPS increased by 65 cents
 EPS changed from 112 to 107 cents / EPS decreased by 5 cents

For one mark each:

In 2015 they paid out a small portion (one third) of their earnings
 In 2016 they paid out almost all (100%) their earnings

4

Explain the effect of this change of policy on the company. State TWO points.

Any TWO valid points ✓✓ ✓✓ Part marks for partial answers can be awarded

For two marks:

- Retained income decreased and this could affect future growth (expansion) of the business.
- It would influence the share price / increase demand for the shares
- It could motivate shareholders to vote for the directors at the AGM
- This decision has not significantly affected the company because they have still been able to expand and boost cash resources

For one mark:

- Cash flow problem (one mark)

4

5.2.7 One of the directors feels that the company should pay back the loan as soon as possible. What are your views about this? Quote and explain TWO relevant financial indicators with figures.

Quoting of financial indicators ✓✓

Quoting of figures ✓✓

Explanation on gearing ✓✓ (DE and ROTCE) Part marks for partial answers

The debt/equity ratio is 0,3 : 1 / decreased from 0,4 : 1 to 0,3 : 1.

The business is lowly geared. They are not making much use of loans compared to own capital.

The ROTCE dropped from 13% in 2015 to 11% in 2016.

The interest rate on loans increased from 13% to 14%.

The company is receiving a return that is less than the interest rate (negatively geared). They are not using the loans effectively to generate a profit. It was a good decision to pay back the loan.

OR

The company must use the loan more effectively and efficiently to increase/improve the return earned. They should not have paid back the previous loan.

6

5.2.8

Explain why the shareholders are satisfied with the market price of the shares on the JSE (Quote figures/financial indicators.)

Explanation ✓
Figures ✓

- Increased from 777 cents to 960 cents./ increased by 183 cents
- The market price is higher than the NAV, 775 cents **see 5.2.4**
- There is a demand for shares in this company.
- Investors are interested in buying shares.

2

Explain why the shareholders are satisfied with the price at which the 75 000 shares were repurchased on 25 April 2016 (Quote figures/financial indicators.)

Explanation ✓
Figures ✓

The company paid 800 cents per share although the market value at the end of the year was 960 cents. / The company paid 160 cents less than the market value

Do not accept comparison to NAV

2

| |
|--------------------|
| TOTAL MARKS |
| |
| 70 |

QUESTION 6

| | |
|-----|---|
| 6.1 | <p>(a) 2 Operating profit</p> <p>46 500 – 350 = 46 150 ✓✓</p> |
| | <p>(b) 3 Cost of sales</p> <p>198 000 ✓ x 100/160 ✓ = 123 750 ✓ one part correct</p> <p style="text-align: center;">OR</p> <p>198 000 one mark x 62,5% one mark = 123 750 one mark</p> |
| | <p>(c) 3 Wages</p> <p>1 800 ✓ x 1,08 ✓ = 1 944 ✓ one part correct</p> <p style="text-align: center;">OR</p> <p>1 800 one mark + 144 one mark = 1 944 one part correct</p> <p style="text-align: center;">OR</p> <p>1 800 one mark + 8% one mark = 1 944 one part correct</p> |
| | <p>(d) 4 Rent income</p> <p>10 028 ✓ x $\frac{100}{109}$ ✓ = R9 200 ✓ one part correct</p> <p style="text-align: center;">OR</p> <p>10 028 one mark - 828 two marks = R9 200 one part correct</p> <p style="background-color: yellow;">Be alert for solve for x method</p> |

12

6.2.1 Calculate the monthly salary due to the sales manager in June 2016.

$$\frac{(18\,000 - 400)}{2}$$

$$(8\,800 \checkmark + 400 \checkmark) \times 107\% \checkmark = 9\,844 \checkmark \text{ one part correct}$$

9 200 two marks

4

6.2.2 Calculate the total credit sales expected in July 2016.

$$221\,760 \text{ two marks}$$

$$198\,000 \checkmark \times 1,12 \checkmark \times 80\% \checkmark = 177\,408 \checkmark \text{ one part correct}$$

OR If based on May actual figures

$$240\,240 \text{ two marks}$$

$$195\,000 \text{ one mark} \times (1,1 \times 1,12) \text{ one mark} \times 80\% \text{ one mark} = 192\,192 \text{ one part correct}$$

4

6.2.3 Calculate the cost price of the new vehicle purchased on 1 May 2016.

$$\begin{aligned} & (9\,000 - 6\,200) \\ & 2\,800 \checkmark \times 12 \checkmark \times \frac{100}{15} \checkmark = 224\,000 \checkmark \text{ one part correct} \\ & 33\,600 \text{ two marks} \end{aligned}$$

| |
|---|
| |
| 4 |

6.3 Comment on the control of telephone and water and electricity. What advice would you offer Susan? State ONE point.

Comment: $\checkmark\checkmark$ No part marks No figures necessary

She has overspent / under-budgeted / not well controlled.
(Budgeted R2 000, spent R4 880 / 2 880 more/144%)

Advice: $\checkmark\checkmark$

- She must monitor the use of telephone, water and electricity.
- She must budget to take into account increase in tariffs or usage.
- Keep/Check records regularly.
- Investigate reasons for overspending

| |
|---|
| |
| 4 |

6.4 Susan wants to reduce the maintenance budget to R500 per month and then use this saving for staff training. What should she consider before making this change? State TWO points.

Any TWO valid points $\checkmark\checkmark$ $\checkmark\checkmark$ No part marks

- Her actual maintenance expense is more than R500 (R2 000).
- She will be under-budgeting.
- Maintenance will be neglected – may cost more in the long run.
- Replacement of old equipment sooner.
- Benefits of training to the business and will it impact on the use of machines.
- It would be irresponsible to reduce an important expense by so much

| |
|---|
| |
| 4 |

6.5

Explain how Susan responded to this threat. State THREE points. Provide figures/calculations to support your answer.

Any THREE valid points
Figures

✓ ✓ ✓
✓ ✓ ✓

- Bought a new vehicle to do deliveries – vehicle expenses incurred (R4 000) and depreciation increased
- Reduced mark-up from 60% to 30% (45 000/150 000) to increase sales
- Advertised more – increased from 2 400 to 9 600 or by R7 200 (3 times)

6

Explain whether Susan's response was successful or not. Provide figures.

ONE valid point with figures ✓✓

Answer for two marks:

Susan's efforts were not successful because even though sales increased gross profit decreased (R45 000)

OR

Susan's efforts were not successful because even though sales increased expenses such as cost of sales (R150 000) / Vehicle expenses (R4 000), etc. increased significantly

Answer for one mark:

- Sales exceed budget by R15 000

2

TOTAL MARKS

40

TOTAL: 300