

CENTRE NUMBER

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

EXAMINATION NUMBER

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

NATIONAL SENIOR CERTIFICATE

ACCOUNTING

GRADE 12

NOVEMBER 2010

SPECIAL ANSWER BOOK

QUESTION	MARKS	INITIAL	MOD.
1			
2			
3			
4			
5			
6			
TOTAL			

This answer book consists of 19 pages.

QUESTION 1

1.1

NO.	GENERAL LEDGER		A	O	L
	ACCOUNT DEBIT	ACCOUNT CREDIT			
1.	SARS – Income tax	Bank	–	0	–
2.					
3.					
4.					
5.					

16

1.2

Provide the missing figures as indicated by (A) to (D). Show workings to earn part-marks.

A:

B:

C:

D:

15



1.3.1 Calculate the VAT payable to SARS or receivable from SARS.

State whether the amount is payable or receivable.

3

1.3.2 Calculate the VAT on net purchases of trading stock for February 2010.

3

1.3.3 Calculate the amount of VAT that would be reflected on the invoices that were issued to the debtors during February 2010.

3

TOTAL MARKS
40

QUESTION 2

2.1 Why does a business prepare a Bank Reconciliation Statement each month?

2

2.2 Calculate the correct totals in the CRJ and CPJ for October 2010.

	CRJ	CPJ
Provisional totals	510 000	463 600
Correct totals		

10

2.3

BANK RECONCILIATION STATEMENT ON 31 OCTOBER 2010		

10



2.4.1 If you were the owner of this business, what steps would you take against Joe Cryme? Provide TWO steps.

2

2.4.2 Explain why the rule of prudence will be used in accounting for the fraudulent activities in the books and the financial statements.

3

2.4.3 Explain what was wrong with the procedures in the accounting department which led to this type of fraudulent activity.

3

TOTAL MARKS
30

QUESTION 3**3.1 MULTIPLE-CHOICE QUESTIONS**

3.1.1	
3.1.2	
3.1.3	
3.1.4	

8

3.2.1 Calculate the value of the raw materials that were issued to the factory for the year ended 28 February 2010. (You may prepare the Raw Materials Stock Account to assist with your calculation.)

7

3.2.3 PRODUCTION COST STATEMENT OF FATIMA MANUFACTURERS FOR THE YEAR ENDED 28 FEBRUARY 2010

	TOTAL
Prime cost	
Total cost of production	
Total cost of production of finished goods	

10

3.2.4 (a) Explain whether Fatima should be concerned about the break-even point for 2010. Quote figures to support your answer.

3



(b) Give a possible reason, other than price changes, for the change in EACH of the unit costs provided above.

Raw materials cost per unit	
Direct labour cost per unit	
Factory overhead cost per unit	

6

TOTAL MARKS
55

QUESTION 4

4.1

Choose an explanation from **COLUMN B** that matches a concept in **COLUMN A**.

COLUMN A	COLUMN B
4.1.1	
4.1.2	
4.1.3	
4.1.4	
4.1.5	

10

4.2

APPROPRIATION ACCOUNT

2010 Feb.	28			2010 Feb.	28	Profit and loss	344 000

9



4.3 MODJAJI LIMITED**BALANCE SHEET AS AT 28 FEBRUARY 2010**

ASSETS	
Non-current assets	
Current assets	
TOTAL ASSETS	
EQUITY AND LIABILITIES	
Ordinary shareholders' equity	
Non-current liabilities	
Current liabilities	
TOTAL EQUITY AND LIABILITIES	

37



4.4.1 What is an *external (independent) auditors' report*?

2

4.4.2 Why is it important for an external auditor to be 'independent'?

2

4.4.3 Why is it important for an external auditor of a public company to be a member of a professional body, such as SAICA?

2

4.4.4 You have been appointed as the external auditor of Modjaji Limited. The managing director, Tom Burke, has asked you to reflect his directors' fees of R3,6 million under Salaries and Wages in the Income Statement. Would you agree to his request? Give a reason.

3

TOTAL MARKS
65

QUESTION 5

5.1 ASSET DISPOSAL					
2009 Dec. 31			2009 Dec. 31		

9

5.2	FIXED (TANGIBLE) ASSETS	Land and Buildings	Equipment
		R	R
	Carrying value at beginning of year	4 139 000	165 000
	Cost	4 139 000	300 000
	Accumulated depreciation	0	(135 000)
	Movements		
		0	160 000
	Carrying value at end of year		
	Cost		
	Accumulated depreciation		

15



5.3 OKUHLE LIMITED**CASH FLOW STATEMENT FOR THE YEAR ENDED 30 JUNE 2010**

Cash effects of operating activities	327 100
Cash generated from operations	570 400
Interest paid	(89 200)
Dividends paid	(76 500)
Income tax paid	(77 600)
Cash effects of investing activities	
Cash effects of financing activities	
Net change in cash equivalents	
Cash equivalents – beginning of year	(1 295 000)
Cash equivalents – end of year	

5.4 List THREE of these significant decisions. Quote figures to support your answer.

6

5.5.1 Earnings per share

3

5.5.2 Debt-equity ratio

3

5.5.3 Return on average capital employed

5



5.6 Comment on the debt-equity ratio and the return on average capital employed. Quote the figures of these financial indicators and comment on EACH.

4

5.7 Comment on the liquidity position for 2010. Quote THREE relevant financial indicators (actual ratios or figures) to support your answer.

Comment:

Financial indicators (actual ratios or figures):

8



5.8 An existing shareholder is disappointed with the price of R5,60 at which the new shares were sold. Quote a financial indicator to support this opinion and comment on it.

3

5.9 A friend of yours is not interested in buying shares in this company. Quote figures for TWO financial indicators, other than those discussed above, to support his opinion and comment on EACH.

6

TOTAL MARKS
80

QUESTION 6

6.1.1 Calculate the insurance figure for November 2010.

2

6.1.2 Calculate the % increase in Steffi Smit's salary in October 2010.

2

6.1.3 Calculate the mark-up % that is applied on the sale of refreshments.

3

6.1.4 Calculate the amount invested in the fixed deposit on 1 September 2010.

3

6.1.5 Calculate the interest on the fixed deposit for November 2010.

3

6.2.1 How many new customers did Piet expect to gain from the marketing strategy in September 2010?

4

6.2.2 What TWO aspects of the marketing strategy could be improved? Give figures to support your answer and make suggestions for EACH.

6

6.2.3 Has Steffi Smit been successful in the collection of fee income? Explain by quoting figures to support your opinion.

7

TOTAL MARKS
30

TOTAL: 300





basic education

Department:
Basic Education
REPUBLIC OF SOUTH AFRICA

NATIONAL SENIOR CERTIFICATE

GRADE 12

**ACCOUNTING
NOVEMBER 2010**

MARKS: 300

TIME: 3 hours

This question paper consists of 21 pages and an answer book of 19 pages.

INSTRUCTIONS AND INFORMATION

Read the following instructions carefully and follow them precisely.

1. Answer ALL the questions.
2. A special ANSWER BOOK is provided in which to answer ALL the questions.
3. Workings must be shown in order to achieve part-marks.
4. Non-programmable calculators may be used.
5. You may use dark pencil or blue/black ink to answer the questions.

6. Use the information in the table below as a guide when answering the question paper. Try NOT to deviate from it.

QUESTION 1: 40 marks; 20 minutes	
Topic of the question:	Learning outcomes covered:
Analysis of Transactions Inventory Valuation and VAT	LO1 Financial accounting AS3 Accounting equation AS7 Apply VAT principles
	LO3 Managing resources AS4 Calculate and validate inventories

QUESTION 2: 30 marks; 20 minutes	
Topic of the question:	Learning outcomes covered:
Bank Reconciliation and Internal Control	LO1 Financial accounting AS4 Reconciliation and interpretation
	LO3 Managing resources AS6 Apply internal control and audit processes

QUESTION 3: 55 marks; 30 minutes	
Topic of the question:	Learning outcomes covered:
Manufacturing	LO1 Financial accounting A1 Concepts – manufacturing
	LO2 Managerial accounting AS2 Production Cost Statement AS2 Unit costs and break even

QUESTION 4: 65 marks; 40 minutes	
Topic of the question:	Learning outcomes covered:
Company Concepts, Financial Statements, Ratios and Audit Reports	LO1 Financial accounting AS1 Concepts AS5 Final accounts, financial statements and analysis and interpretation of financial statements AS6 Audit reports
	LO3 Managerial accounting AS5 Professional bodies

QUESTION 5: 80 marks; 50 minutes	
Topic of the question:	Learning outcomes covered:
Cash Flow Statement, Interpretation and Asset Disposal	LO1 Financial accounting AS5 Final accounts, financial statements and analysis and interpretation of financial statements
	LO3 Managerial accounting AS3 Asset disposal

QUESTION 6: 30 marks; 20 minutes	
Topic of the question:	Learning outcomes covered:
Cash Budgets	LO1 Financial accounting AS1 Concepts
	LO2 Managerial accounting AS3 Analyse and interpret a cash budget
	LO3 Managing resources AS6 Apply internal control and audit processes

**QUESTION 1: ANALYSIS OF TRANSACTIONS, INVENTORY VALUATION AND
VAT (40 marks; 20 minutes)**

This question consists of **THREE** independent questions.

1.1 ANALYSIS OF TRANSACTIONS

You are provided with information relating to Bhato Traders.

REQUIRED:

Show the effect of the following transactions on the accounting equation. The bank balance is favourable at all times. The first transaction has been completed as an example. Where there is no effect on A, O or L you must reflect an '0'.

TRANSACTIONS:

1. An amount owing to SARS for income tax at the end of the previous year was paid.
2. An interim dividend was paid.
3. A premium was charged and received on new shares issued.
4. A final dividend was declared.
5. Income tax for the year was brought into account (the amount exceeds the provisional tax paid).

(16)

1.2 INVENTORY (STOCK) VALUATION

The following information was extracted from the accounting records of Bags 4U. Bags 4U buys and sells one type of ladies' handbag.

The business uses the periodic method of inventory and the weighted average method of valuing inventory.

REQUIRED:

Study the information below and provide the missing figures as indicated by (A) to (D). Show workings to earn part-marks.

INFORMATION:

Transactions for the month:

INFORMATION	NUMBER OF HANDBAGS ON HAND	VALUE PER UNIT	CARRIAGE ON PURCHASES	TOTAL VALUE
Handbags on hand on 1 February 2010	250	R125		(A)
Handbags bought during the month	1 010			?
7 February 2010	500	R120	Nil	R60 000
22 February 2010	250	R120	Nil	R30 000
25 February 2010	260	R105	R4 000	(B)
Handbags returned to suppliers during the month	10			R1 050
26 February 2010	10	R105		R1 050
Handbags sold during the month	(C)	R225		?
Handbags on hand on 28 February 2010	275	(D)		?

(15)

1.3 VAT

Mango Supermarket is a registered VAT vendor. VAT is calculated at 14%. All goods are sold at 50% on cost.

REQUIRED:

- 1.3.1 Calculate the VAT payable to SARS or receivable from SARS. State whether the amount is payable or receivable. (3)
- 1.3.2 Calculate the VAT on net purchases of trading stock for February 2010. (3)
- 1.3.3 Calculate the amount of VAT that would be reflected on the invoices that were issued to the debtors during February 2010. (3)

INFORMATION:

The following Ledger Accounts were extracted from the General Ledger of Mango Supermarket.

GENERAL LEDGER OF MANGO SUPERMARKET
BALANCE SHEET ACCOUNTS SECTION

VAT CONTROL									
2010 Feb.	28	Input VAT	GJ	9 780	2010 Feb.	28	Output VAT	GJ	31 024

TRADING STOCK									
2010 Feb.	1	Balance	b/d	122 000	2010 Feb.	28	Creditors' control	CAJ	8 000
	28	Creditors' control	CJ	80 000			Cost of sales	DJ	83 000
		Cost of sales	DAJ	1 200			Cost of sales	CRJ	65 000

DEBTORS' CONTROL									
2010 Feb.	1	Balance	b/d	85 000	2010 Feb.	28	Journal Credits (Bad debts)	GJ	456
	28	Sundry accounts	DJ	141 930					

KEEP THIS PAGE BLANK

QUESTION 2: BANK RECONCILIATION AND INTERNAL CONTROL
(30 marks; 20 minutes)

Top Dog Traders employs Joe Cryme to write up the books, do the bank deposits and issue cheques. You are required to assist as internal auditor.

REQUIRED:

- 2.1 Why does a business prepare a Bank Reconciliation Statement each month? (2)
- 2.2 Calculate the correct totals in the Cash Receipts Journal (CRJ) and Cash Payments Journal (CPJ) for October 2010. (10)
- 2.3 Prepare the Bank Reconciliation Statement on 31 October 2010. (10)
- 2.4 Refer to Information numbers 4 and 8 below.
- 2.4.1 It appears that Top Dog Traders will not be able to recover all amounts, or part of the amounts, lost due to the fraudulent activities of Joe Cryme. If you were the owner of this business, what steps would you take against Joe Cryme? Provide TWO steps. (2)
- 2.4.2 Explain why the rule of prudence will be used in accounting for the fraudulent activities in the books and the financial statements. (3)
- 2.4.3 Explain what was wrong with the procedures in the accounting department which led to this type of fraudulent activity. (3)

INFORMATION:

1. At the end of the previous month, 30 September 2010, the following items appeared in the Bank Reconciliation Statement:

Balance per Bank Statement	17 000
Outstanding deposits for cash sales:	
▪ Dated 28 September 2010	30 000
▪ Dated 30 September 2010	12 400
Outstanding cheques:	
▪ 502 (dated 19 April 2010)	6 200
▪ 613 (dated 24 September 2010)	13 400
▪ 614 (dated 27 September 2010)	9 100
Balance per bank account	30 700

2. The balance on the Bank Statement is R40 092 (favourable) on 31 October 2010.
3. The provisional totals in the journals for October 2010 before reconciling to the bank statement are: CRJ – R510 000 and CPJ – R463 600

4. From the bank reconciliation for September 2010 only the outstanding deposit of R12 400 and cheque No. 614 appeared on the October Bank Statement. The R30 000 reflected on the deposit slip, dated 28 September, was never deposited into the bank account by Joe Cryme. He cannot account for the whereabouts of the cash.
5. The October Bank Statement reflected bank charges of R1 310 and interest of R102 on the favourable bank balance.
6. A dishonoured cheque was reflected on the Bank Statement, R1 700. This was originally received from a debtor in payment of his account.
7. A direct deposit of R5 500 from a tenant was reflected on the Bank Statement.
8. As internal auditor you also detected that cheque No. 642 for R18 000 appeared on the Bank Statement, but not in the CPJ. The bookkeeper, Joe Cryme, forged the signatures and used the funds for personal benefit.
9. Cheque No. 633 was reflected in the CPJ as R2 630, but on the Bank Statement it was reflected as R6 230. The amount on the Bank Statement is correct.
10. The following items appeared in the October CRJ and CPJ, but not on the Bank Statement:
 - No. 652 – R3 800 (dated 15 November 2010)
 - No. 655 – R1 300
 - A deposit of R12 700 for cash sales.

QUESTION 3: MANUFACTURING**(55 marks; 30 minutes)****3.1 MULTIPLE-CHOICE QUESTIONS**

Four options are provided as possible answers to the following questions. Choose the answer and write only the letter (A – D) next to the question number (3.1.1 – 3.1.4) in the ANSWER BOOK, for example 3.1.5 D.

3.1.1 The wages paid to a factory cleaner will be classified as ...

- A direct labour cost.
- B factory overhead cost.
- C administration cost.
- D raw materials cost.

3.1.2 Fixed costs per unit are calculated as follows:

- A Prime costs ÷ number of units produced
- B Total costs of production ÷ number of units produced
- C Total fixed costs ÷ number of units produced
- D Total fixed costs x number of units produced

3.1.3 Which ONE of the following items will NOT be regarded as an administration cost?

- A Packing material
- B Insurance
- C Telephone
- D Stationery

3.1.4 In order to calculate the break-even point, the following calculation will be used:

- A
$$\frac{\text{Fixed costs}}{\text{Number of units produced}}$$
- B
$$\frac{\text{Variable costs}}{\text{Selling price per unit} - \text{Fixed cost per unit}}$$
- C
$$\frac{\text{Fixed costs}}{\text{Selling price per unit} - \text{Variable cost per unit}}$$
- D
$$\frac{\text{Variable costs}}{\text{Fixed cost per unit}}$$

(4 x 2) (8)

3.2 You are provided with information (balances, transactions and adjustments) relating to Fatima Manufacturers owned by Fatima Fala. The business manufactures shoes.

REQUIRED:

- 3.2.1 Calculate the value of the raw materials that were issued to the factory for the year ended 28 February 2010. (You may prepare the Raw Materials Stock Account to assist with your calculation.) (7)
- 3.2.2 Prepare the following notes to the Production Cost Statement for the year ended 28 February 2010:
- Direct labour cost (5)
 - Factory overhead cost (16)
- 3.2.3 Prepare the Production Cost Statement for the year ended 28 February 2010. (10)
- 3.2.4 You are provided with unit costs and the break-even point calculated for the past two years.

	2010	2009
Raw materials cost per unit	R48,30	R54,30
Direct labour cost per unit	R37,38	R51,70
Factory overhead cost per unit	R34,32	R30,25
Break-even point	19 548 units	11 300 units
Number of units produced	20 000 units	24 000 units

- (a) Explain whether Fatima should be concerned about the break-even point for 2010. Quote figures to support your answer. (3)
- (b) Give a possible reason, other than price changes, for the change in EACH of the unit costs provided above. (6)

INFORMATION:**1. OPENING BALANCES ON 1 MARCH 2009:**

Raw materials stock	R 160 000
Work-in-process stock	158 000
Finished goods stock	120 000
Consumable stores stock: Factory	6 000
Factory plant and equipment at cost	2 225 000
Accumulated depreciation on factory plant and equipment	450 000

2. SUMMARY OF TRANSACTIONS FOR THE YEAR ENDED 28 FEBRUARY 2010:

Purchases of raw materials on credit	R1 023 475
Carriage on purchases of raw materials	22 500
Consumable stores purchased for the factory	43 000
Cleaning materials purchased for the office	12 000
Factory plant and equipment purchased on 1 September 2009	250 000
Production wages	723 800
UIF – Contribution for factory employees	?
Salaries: Factory foreman	150 000
Administration	400 000
Sales staff	250 000
Water and electricity	163 000
Sundry expenses: Factory	194 680
Administration	530 000
Sales department	340 000

3. CLOSING BALANCES ON 28 FEBRUARY 2010:

Raw materials stock	R259 125
Work-in-process stock	?
Finished goods stock	142 500
Consumable stores stock: Factory	7 000

4. ADDITIONAL INFORMATION AND ADJUSTMENTS:

- A. No entry was made for the transport of raw materials by Pops Carriers to the factory, R3 750.
- B. During the physical stocktaking of raw materials on 28 February 2010, a calculation error was made. 6 000 articles at 15c each were taken into account at 50c each on the stock lists. This must be corrected.
- C. No entry was made for the following in respect of the production wages for the last week of February 2010. The entry was omitted from the Wages Journal:

Gross wages	R6 200
Deductions: Unemployment Insurance Fund	62
PAYE	1 240
The employer contributes 1% to the UIF.	

- D. An amount of R4 200 was still outstanding on the Water and Electricity Account for February 2010. Sixty per cent (60%) of all the water and electricity was used in the factory.
- E. Depreciation on factory plant and equipment must be brought into account at 10% per annum, according to the diminishing balance method.
- F. During the year 20 000 pairs of shoes were manufactured.
- G. The shoes are sold at a mark-up of 65% on cost.
- H. The shoes are sold at R198 per pair.

KEEP THIS PAGE BLANK

**QUESTION 4: COMPANY CONCEPTS, FINANCIAL STATEMENTS, RATIOS AND
AUDIT REPORTS**
(65 marks; 40 minutes)

4.1 MATCHING ITEMS – COMPANY CONCEPTS

The information below was extracted from the financial records of Modjaji Limited.

REQUIRED:

Concepts relating to companies are listed in COLUMN A and explanations are listed in COLUMN B. Choose an explanation from COLUMN B that matches a concept in COLUMN A. Write only the letter (A – E) next to the question number (4.1.1 – 4.1.5) in the ANSWER BOOK.

COLUMN A		COLUMN B	
4.1.1	Historical cost	A	the liability of shareholders is limited to the amount of capital invested in the company
4.1.2	Going concern	B	assets are recorded at the original purchase price unless otherwise stated
4.1.3	International Financial Reporting Standards (IFRS)	C	the ethical and responsible manner in which a company is managed and directed by its major stakeholders, including directors and shareholders
4.1.4	Good corporate governance	D	financial statements are prepared on the assumption that the company will continue operating for the foreseeable future
4.1.5	Limited liability	E	guidelines for the preparation of financial statements of companies to ensure a degree of consistency

(5 x 2) (10)

4.2 Prepare the Appropriation Account in the General Ledger of Modjaji Limited. (9)

4.3 Prepare the Balance Sheet on 28 February 2010. (ALL workings must be shown in brackets – **the notes are NOT required.**) (37)

INFORMATION:

1. The following balances/totals appeared in the General Ledger on 28 February 2010:

BALANCE SHEET ACCOUNTS SECTION	
Ordinary share capital	R1 750 000
Share premium	50 000
Retained income (1 March 2009)	26 000
Long-term loan: Oka Lenders	235 200
Fixed assets at carrying value (1 March 2009)	2 106 500
Trading stock	61 200
Debtors' control	52 000
Provision for bad debts (1 March 2009)	2 500
Creditors' control	81 300
Bank – debit	54 500
Cash float	12 500
Fixed deposit at Leakage Bank (matures in 2013)	80 000
Deposit: Water and electricity	1 100
SARS: Income tax – debit	95 000
ML Pension Fund	11 500
NOMINAL ACCOUNTS SECTION	
Ordinary share dividends (interim)	80 000
FINAL ACCOUNTS SECTION	
Trading account (gross profit)	459 000
Profit and Loss Account (net profit)	344 000

2. The company has an authorised share capital of 2 000 000 shares with a par value of R2 each.
3. The following adjustments must still be considered:
- 3.1 The directors declared a final dividend of 10 cents per share on 28 February 2010.
- 3.2 The assessment received from SARS reflects income tax of R103 200 for the financial year.

4. The net profit of R344 000 was arrived at after the following items were taken into account:
- Packaging material on hand on 28 February 2010, R4 600
 - Provision for bad debts at 5% of net debtors
 - Insurance prepaid, R1 000
 - Depreciation on fixed assets, R32 400
 - An adjustment to the Rent Income Account (The total on the Rent Income Account was R101 500 which included rent for March and April 2010 – rent was increased by R900 from 1 October 2009.)
5. The loan from Oka Lenders was originally received on 1 September 2008. The loan is to be repaid in equal monthly instalments over 5 years. The first instalment was paid on 30 September 2008.

4.4 EXTERNAL AUDITOR'S REPORT:

- 4.4.1 What is an *external (independent) auditors' report*? (2)
- 4.4.2 Why is it important for an external auditor to be 'independent'? (2)
- 4.4.3 Why is it important for an external auditor of a public company to be a member of a professional body, such as SAICA? (2)
- 4.4.4 You have been appointed as the external auditor of Modjaji Limited. The managing director, Tom Burke, has asked you to reflect his directors' fees of R3,6 million under Salaries and Wages in the Income Statement. Would you agree to his request? Give a reason. (3)

QUESTION 5: CASH FLOW STATEMENT, INTERPRETATION AND ASSET DISPOSAL
(80 marks; 50 minutes)

You are provided with information and a partially completed Cash Flow Statement relating to Okuhle Limited, a public company. The financial year-end is on 30 June 2010. The authorised share capital of the company is 500 000 shares. New shares were issued on 1 July 2009.

REQUIRED:

Study the information provided and answer the questions that follow.

- 5.1 Prepare the Asset Disposal Account on 31 December 2009 in the General Ledger. (9)
- 5.2 Complete the Note for Fixed (Tangible) Assets on 30 June 2010. (15)
- 5.3 Complete the Cash Flow Statement for the year ended on 30 June 2010. (Some of the amounts have already been entered in the ANSWER BOOK.) (18)
- 5.4 The directors made some **significant** decisions in the past year which affected the cash position of the company. List **THREE** of these significant decisions. Quote figures to support your answer. (6)
- 5.5 Calculate the following financial indicators for 2010:
- 5.5.1 Earnings per share (3)
- 5.5.2 Debt-equity ratio (3)
- 5.5.3 Return on average capital employed (5)
- 5.6 Comment on the debt-equity ratio and the return on average capital employed. Quote the figures of these financial indicators and comment on EACH. (4)
- 5.7 Comment on the liquidity position for 2010. Quote **THREE** relevant financial indicators (actual ratios or figures) to support your answer. (8)
- 5.8 An existing shareholder is disappointed with the price of R5,60 at which the new shares were sold. Quote a financial indicator to support this opinion and comment on it. (3)
- 5.9 A friend of yours is not interested in buying shares in this company. Quote figures for **TWO** financial indicators, other than those discussed above, to support his opinion and comment on EACH. (6)

INFORMATION:

- Equipment bought on 30 June 2007 for R40 000 was sold for cash on 31 December 2009 at carrying value. New equipment was purchased on 1 February 2010 for R160 000. Depreciation on equipment is written off at 15% p.a. on cost price.
- The following totals were extracted from the financial statements on 30 June 2010:

Balance Sheet	2010	2009
Ordinary shareholders' equity	2 753 800	2 460 000
Ordinary share capital (par value R5)	1 900 000	1 750 000
Ordinary share premium	248 000	230 000
Retained income	605 800	480 000
Land and buildings	2 764 000	4 139 000
Equipment at cost	420 000	300 000
Accumulated depreciation on equipment	?	135 000
Loan (16%)	280 000	650 000
SARS (Income tax)	(Cr) 9 000	(Dr) 6 400
Shareholders for dividends	53 200	38 500
Income Statement	2010	2009
Interest on loan	89 200	104 000
Net profit before tax	310 000	420 000
Income tax	93 000	126 000

- The following financial indicators have been calculated:

	2010	2009
Debt : Equity ratio	?	0,3 : 1
Return on average capital employed	?	19%
Return on shareholders' equity	8,3%	16%
Earnings per share	?	105 cents
Dividends per share	24 cents	60 cents
Net asset value per share	725 cents	703 cents
Current ratio	1,9 : 1	0,3 : 1
Acid test ratio	1,2 : 1	0,2 : 1
Stock turnover rate	6 times	9 times
Period of stock on hand	60 days	40 days
Debtors' collection period	15 days	32 days
Creditors' payment period	42 days	30 days

QUESTION 6: CASH BUDGETS**(30 marks; 20 minutes)**

You are provided with an extract from the Cash Budget of Parys Gymnasium. The business is owned by Piet Nkosi.

Each member pays a once-off admission fee of R1 000 and a subscription fee of R500 per month to belong to the gymnasium. Piet employs Steffi Smit to collect and control the fee income.

REQUIRED:

- 6.1 Calculate the following:
- 6.1.1 The insurance figure for November 2010 (Note that the insurance premium will increase by 6% on 1 November 2010.) (2)
 - 6.1.2 The % increase in Steffi Smit's salary in October 2010 (2)
 - 6.1.3 The mark-up % that is applied on the sale of refreshments (Note that refreshments are sold for cash only and are replaced in the month of sale.) (3)
 - 6.1.4 The amount invested in the fixed deposit on 1 September 2010 (Note that the interest rate is 8% p.a. A portion of the fixed deposit matures on 31 October 2010.) (3)
 - 6.1.5 Interest on the fixed deposit for November 2010 (3)
- 6.2 As internal auditor you are required to give Piet feedback on the marketing strategy and fee collection.
- 6.2.1 How many new customers did Piet expect to gain from the marketing strategy in September 2010? (4)
 - 6.2.2 What TWO aspects of the marketing strategy could be improved? Give figures to support your answer and make suggestions for EACH. (6)
 - 6.2.3 Has Steffi Smit been successful in the collection of fee income? Explain by quoting figures to support your opinion. (7)

INFORMATION:**1. EXTRACT FROM CASH BUDGET FOR SEPT. 2010 TO NOV. 2010**

	Sept.	Oct.	Nov.	Total
	R	R	R	R
RECEIPTS:				
Joining fee (Admission fee)	?	0	0	?
Monthly fee collections (Subscriptions)	285 000	285 000	285 000	855 000
Sale of refreshments	21 600	27 360	27 360	76 320
Fixed deposit matured	0	30 000	0	30 000
Interest on fixed deposit (8% p.a.)	640	640	?	?
PAYMENTS:				
Insurance	7 000	7 000	?	?
Commission paid	18 000	0	0	18 000
Transport allowance	6 000	0	0	6 000
Salary to Steffi Smit	4 200	5 250	5 250	14 700
Purchases of refreshments	12 000	15 200	15 200	42 400

2. MARKETING STRATEGY:

At the end of August Piet had 450 customers. Piet developed a new marketing strategy to increase the number of customers significantly. He planned to employ three people (Chase, Jane and Dan) at the beginning of September 2010 to market the gymnasium and get new customers to sign contracts. He would pay them commission of R150 for each new customer and a travel allowance.

Piet asked you, as the internal auditor, to analyse the work done by the marketing team. Your analysis is as follows:

Analysis of work done by the marketing team – September

	Chase	Jane	Dan	Total
Number of new contracts issued	80	35	113	228
Commission earned	R12 000	R5 250	R16 950	R34 200
Transport allowance paid	R3 000	R3 000	R3 000	R9 000
Number of contracts cancelled on 1 November 2010	2	0	38	40

3. ACTUAL FEE INCOME COLLECTED COMPARED TO BUDGET

	Budgeted	Actual
September	R285 000	R339 000
October	R285 000	R323 000
November	R285 000	R273 000
Total	R855 000	R935 000



basic education

Department:
Basic Education
REPUBLIC OF SOUTH AFRICA

NATIONAL SENIOR CERTIFICATE

GRADE 12

ACCOUNTING

NOVEMBER 2010

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 method marks are awarded for operation, marker must inspect the reasonableness of the answer before awarding the mark.

1.3.1 Calculate the VAT payable to SARS or receivable from SARS.

$$R31\ 024 - R9\ 780 = R21\ 244 \quad \checkmark\checkmark \quad \text{Two marks or nothing}$$

State whether the amount is payable or receivable.

Payable \checkmark

3

1.3.2 Calculate the VAT on net purchases for February 2010.

$$R72\ 000 \checkmark \times 14\% \checkmark = R10\ 080 \quad \checkmark \quad \text{operation if one part correct}$$

3

1.3.3 Calculate the amount of VAT that would be reflected on the invoices that were issued to the debtors during February 2010.

$$R141\ 930 \checkmark \times \frac{14}{114} \checkmark = R17\ 430 \checkmark$$

3

TOTAL MARKS
40

QUESTION 2

2.1 Why does a business prepare a Bank Reconciliation Statement each month?

Good explanation = 2 marks; Satisfactory =1; Incorrect =0 ✓✓

Expected responses for 2 marks:

- Improves internal control by minimising fraud or error because records are checked to an external source
- Improves internal control by identifying outstanding cheques and deposits
- To compare the books of the business with that of the bank in order to detect errors and/or dishonesty at an early stage
- The books of the business and that of the bank should agree and the bank balance should be the same in both books
- To reconcile the bank balance to the bank statement

Expected responses for 1 mark:

- Internal control purposes
- To reconcile the bank account
- To identify the correct bank balance / update records
- To identify outstanding cheques and deposits
- Errors and dishonesty can be detected on a monthly basis

2

2.2 Calculate the correct totals in the CRJ and CPJ for October 2010.

	CRJ	CPJ
Provisional totals	510 000	463 600
	✓ 6 200	✓ 30 000
	✓ 102	✓ 1 310
# Be alert to R2 630 in CRJ & R6 230 in CPJ = R3 600 net effect: 1 mark	✓ 5 500	✓ 1 700
		✓✓ 18 000
Foreign items -1		#✓ 3 600
Operation if one part correct	521 802	<input checked="" type="checkbox"/> 518 210

10

2.3 BANK RECONCILIATION STATEMENT AS AT 31 OCTOBER 2010

	Debit	Credit
Balance as per Bank Statement		✓ 40 092
Outstanding cheques:		
No. 613 ✓	✓ 13 400	
No. 652 ✓	✓ 3 800	
No. 655 ✓	✓ 1 300	
Outstanding deposits ✓		✓ 12 700
Balance as per bank account Operation if one part correct	<input checked="" type="checkbox"/> 34 292	
	52 792	52 792
If 2-column method used without Debit / Credit headings assume left=Debit and right=Credit		
OR single column method OR could start with ledger balance		
Balance as per Bank Statement		✓ 40 092
Less outstanding cheques: Or brackets or – may be used		
No. 613 ✓	Inspect treatment of figures to award marks if Add/Less not reflected	✓ 13 400
No. 652 ✓		✓ 3 800
No. 655 ✓		✓ 1 300
Add outstanding deposit ✓		✓ 12 700
Balance as per bank account Operation if one part correct		<input checked="" type="checkbox"/> 34 292
- 1 foreign entries		

10

2.4.1 If you were the owner of this business, what steps would you take against Joe Cryme? Provide TWO steps.

Any TWO valid steps ✓ ✓ One mark each

Possible answers:

- Set up a disciplinary hearing for Joe to answer to the allegations
- Recover what is possible from his salary that is owing to Top Dog
- Institute legal action against him (if the costs of the legal action are likely to be less than the amount recoverable)
- Terminate his employment with the firm / fire him
- Suspend Joe pending the investigation / move him to another department
- Lay a charge against Joe at the police station and get a case number

Note: Mentioning professional bodies is not relevant.

2

2.4.2 Explain why the rule of prudence will be used in accounting for the fraudulent activities in the books and the financial statements.

Any valid explanation which indicates understanding of the rule of prudence

Excellent explanation = 3 marks; Good = 2 marks; Satisfactory = 1; Incorrect = 0

✓✓✓

Expected response for 3 marks:

- The business must regard this transaction in a pessimistic light as there is no certainty that any amounts will be recovered.

Expected response for 2 marks:

- The rule of prudence dictates a conservative approach in reporting profits.

Expected response for 1 mark:

- Pessimistic approach
- Conservative approach

3

2.4.3 Explain what was wrong with the procedures in the accounting department which led to this type of fraudulent activity.

Any valid explanation mentioning division of duties

Full explanation of one aspect = 3 marks

Good explanation = 3 marks; satisfactory explanation = 2 marks; poor explanation = 1 mark; incorrect explanation = 0 marks ✓✓✓

Any aspects listed / mentioned without explanation = 1 mark each

Expected response for 3 marks:

Joe Cryme is responsible for all the vital activities relating to receipts, deposits and payments. Duties should be divided amongst employees in the business so that one employee serves as a check on another.

Expected response for 1 mark each (max 2 if no explanation)

Lack of internal control

OR Lack of division of duties

OR Lack of supervision

OR Signatories on cheques are not acting responsibly

3

TOTAL
MARKS

30

QUESTION 3

3.1 MULTIPLE-CHOICE QUESTIONS

3.1.1	B ✓✓	If more than one response per question mark it incorrect.
3.1.2	C ✓✓	
3.1.3	A ✓✓	
3.1.4	C ✓✓	

8

3.2.1 Calculate the value of the raw materials that were issued to the factory for the year ended 28 February 2010. (You may prepare the Raw Materials Stock Account to assist with your calculation.)

operation if one part correct

$$\begin{array}{r}
 \checkmark \quad \quad \quad \checkmark \quad \quad \quad \checkmark \quad \quad \quad \checkmark \quad \quad \quad (259\ 125 \checkmark - 2\ 100 \checkmark) \quad \quad \quad \checkmark \\
 160\ 000 + 1\ 023\ 475 + 22\ 500 + 3\ 750 - 257\ 025 = 952\ 700 \\
 160\ 000 + 1\ 023\ 475 + 22\ 500 + 3\ 750 - 259\ 125 + 2\ 100 = 952\ 700
 \end{array}$$

Raw Materials Stock

Balance	✓ 160 000	Direct Material Cost	operation if one part correct ☑ 952 700
Bank / Creditors' control	✓ 1 023 475	Balance (259 125 ✓ - 2 100 ✓)	257 025
Carriage on Purchases (22 500 ✓ + 3 750 ✓)	26 250	Mark figures only. Ignore details as account not essential.	
	1 209 725		1 209 725

7

3.2.2 NOTES TO THE FINANCIAL STATEMENTS

DIRECT LABOUR COST		R
Production wages (723 800 ✓ + 6 200 ✓)	✓	730 000
UIF contribution If 1% of the final figure above	<input checked="" type="checkbox"/>	7 300
Operation if one part correct UIF must be added	<input checked="" type="checkbox"/>	737 300
PAYE -1 if entered		
		5

FACTORY OVERHEAD COST		R
Salary of foreman	✓	150 000 or 151 500
Consumable stores – factory 6 000 ✓ + 43 000 ✓ - 7 000 ✓	Operation if one part correct <input checked="" type="checkbox"/>	42 000
Depreciation 177 500 ✓✓ + 12 500 ✓✓ Or 101 250 ✓✓ + 88 750 ✓✓	Operation if one part correct <input checked="" type="checkbox"/>	190 000
Water and electricity (163 000 ✓ + 4 200 ✓) x 60% ✓ Or 97 800 ✓ + 2 520 ✓✓	Operation if one part correct <input checked="" type="checkbox"/>	100 320
Sundry expenses	✓	194 680
Operation if one part correct	<input checked="" type="checkbox"/>	677 000 or 678 500
		16

-1 insufficient details in 3.2.2

Do not accept negative figures as final answer in these notes i.e. no method mark

3.2.3 PRODUCTION COST STATEMENT OF FATIMA MANUFACTURERS FOR THE YEAR ENDED 28 FEBRUARY 2010

	TOTAL
Direct materials cost See 3.2.1	<input checked="" type="checkbox"/> 952 700
Direct labour cost See 3.2.2	<input checked="" type="checkbox"/> 737 300
Prime cost operation adding	<input checked="" type="checkbox"/> 1 690 000
Factory overhead cost See 3.2.2	<input checked="" type="checkbox"/> 677 000 or 678 500
Total cost of production	2 367 000 or 2 368 500
Work-in process at the beginning of the year	<input checked="" type="checkbox"/> 158 000
	2 525 000 or 2 526 500
Work-in process at the end of the year	(125 000)
check operation – work back from TCOP	<input checked="" type="checkbox"/> or (126 500)
This figure must work out to be a negative figure - check	or (104 000)
Total cost of production of finished goods (198✓ / 1,65✓) x 20 000 ✓	
Or 198✓ / (165 / 100) ✓ x 20 000 ✓	Operation if one part correct <input checked="" type="checkbox"/> 2 400 000
Or 120 ✓✓ x 20 000 ✓	2 422 500
Or (48,30 + 37,38 + 34,32) ✓✓ x 20 000 ✓	

10

3.2.4 (a) Explain whether Fatima should be concerned about the break-even point for 2010. Quote figures to support your answer.

Explanation: ✓

Yes, she should be concerned as units produced is close to BEP

Or

Yes, as the BEP has increased significantly from the previous year

Or

No, she is still exceeding the BEP.

Quoting of figures: ✓✓ Any two valid figures which support the explanation

Compare 20 000 units produced to BEP of 19 548 (difference 452 units counts as two figures)

Or

BEP is 97,7% of total units (97,7% counts as two figures)

Or

Compare BEP 19 548 to 11 300 of the previous year (difference 8 248 units counts as two figures)

Or

Compare units of 20 000 to 24 000 of previous year – affects BEP (difference 4 000 units counts as two figures)

3

(b) Give a possible reason, other than price changes, for the change in EACH of the unit costs provided above.

*Any valid explanation (other than price changes), e.g.
(Part marks may be awarded for partially correct answers.)*

Figures are not required

<p>Raw materials cost per unit</p>	<p>There was less wastage (or more efficiency) of raw materials in producing the product. ✓✓ OR (Accept for one mark: Alternative supplier or bulk discount)</p>
<p>Direct labour cost per unit</p>	<p>Workers were more efficient in producing each article. ✓✓ OR Less overtime worked OR Higher skilled workers OR More efficient machinery (Do not accept: Fewer workers / retrenchment)</p>
<p>Factory overhead cost per unit</p>	<p>The number of units produced decreased from 24 000 to 20 000 units resulting in an increase in the FOHC per unit (from R30,25 per unit to R34,32) as these costs are fixed. (Note to marker: Total FOHC decreased from R726 000 to R686 400; there were no increases in costs) ✓✓ OR Wastage in some costs e.g. water & electricity OR Extra depreciation on new equipment</p>

6

TOTAL MARKS
55

QUESTION 4

4.1	<p>Choose an explanation from COLUMN B that matches a concept in COLUMN A.</p> <table border="1" style="margin: 10px auto; border-collapse: collapse;"> <thead> <tr> <th style="text-align: left;">COLUMN A</th> <th style="text-align: left;">COLUMN B</th> <th></th> </tr> </thead> <tbody> <tr> <td>4.1.1</td> <td>B ✓✓</td> <td rowspan="5" style="text-align: center; vertical-align: middle;"> If more than one response per question mark it incorrect. </td> </tr> <tr> <td>4.1.2</td> <td>D ✓✓</td> </tr> <tr> <td>4.1.3</td> <td>E ✓✓</td> </tr> <tr> <td>4.1.4</td> <td>C ✓✓</td> </tr> <tr> <td>4.1.5</td> <td>A ✓✓</td> </tr> </tbody> </table>	COLUMN A	COLUMN B		4.1.1	B ✓✓	If more than one response per question mark it incorrect.	4.1.2	D ✓✓	4.1.3	E ✓✓	4.1.4	C ✓✓	4.1.5	A ✓✓
COLUMN A	COLUMN B														
4.1.1	B ✓✓	If more than one response per question mark it incorrect.													
4.1.2	D ✓✓														
4.1.3	E ✓✓														
4.1.4	C ✓✓														
4.1.5	A ✓✓														

10

4.2 APPROPRIATION ACCOUNT

2010			✓		2010			
Feb.	28	Income tax ✓		103 200	Feb.	28	Profit and loss	344 000
		Dividends on Ordinary Shares ✓ (80 000 + 87 500) <small>1 mark each if answer incorrect Do not accept Shareholders for dividends</small>	✓✓	167 500			Retained Income ✓ <small>Or Accumulated / Unappropriated profit / earnings</small>	✓ 26 000
		Retained Income ✓ <small>Or Accumulated / Unappropriated profit / earnings</small>	#✓	99 300	<small>Operation if one part correct Do not accept R26 000 on the debit side</small>			
				370 000	<small>Foreign entries -1</small>			370 000

9

4.3 MODJAJI LIMITED

BALANCE SHEET AS AT 28 FEBRUARY 2010

ASSETS			
Non-current assets	operation if one part correct	<input checked="" type="checkbox"/>	2 154 100
Fixed assets (2 106 500 ✓ – 32 400 ✓)		✓	2 074 100
Fixed deposit at Leakage Bank	5	✓	80 000
Current assets	operation if one part correct	<input checked="" type="checkbox"/>	184 300
Inventory (61 200 ✓ + 4 600 ✓)		<input checked="" type="checkbox"/>	65 800
Trade and other receivables (52 000 ✓ + 1 100 ✓ - 2 600 ✓ + 1 000 ✓) OR 52 000 + 1 100 - 2 475 + 1 000	operation if one part correct	<input checked="" type="checkbox"/>	51 500
Cash and cash equivalents (54 500 ✓ + 12 500 ✓)	operation if one part correct 13	<input checked="" type="checkbox"/>	67 000
TOTAL ASSETS	operation if one part correct	<input checked="" type="checkbox"/>	2 338 400
EQUITY AND LIABILITIES			
Ordinary shareholders' equity	operation if one part correct	<input checked="" type="checkbox"/>	1 899 300
Ordinary share capital		✓	1 750 000
Share premium	4	✓	50 000
Retained income	see 4.2	<input checked="" type="checkbox"/>	99 300
Non-current liabilities	4		168 000
Long-term loan: Oka Lenders (235 200 ✓ - 67 200 ✓✓) see below	operation if one part correct	<input checked="" type="checkbox"/>	168 000
Current liabilities	operation if one part correct	<input checked="" type="checkbox"/>	271 100
Trade and other payables 8 200 (81 300 ✓ + 11 500 ✓ + 87 500 <input checked="" type="checkbox"/> + 15 400 ✓✓ + 103 200 ✓ - 95 000 ✓) See 4.2 SARS & Shareholders for dividends may be shown separately		<input checked="" type="checkbox"/>	203 900 operation if one part correct
Current portion of loan Accept as part of T&OP	11	<input checked="" type="checkbox"/> See above	67 200
TOTAL EQUITY AND LIABILITIES	operation if one part correct	<input checked="" type="checkbox"/>	2 338 400

37

If aspect is misplaced or is not placed within the BS format, apply penalty of -1 each time
 Poor presentation / no details / incorrect sequence of items under CA -1 each time (max -2)

4.4.1 What is an external (independent) auditors' report?

Any valid explanation ✓✓ one mark for partially correct answer

Expected responses for 2 marks:

- An opinion expressed by the independent auditor (appointed by the shareholders) on whether the financial statements fairly present the results and state of affairs of the company.
- An opinion expressed by the independent auditor on his sample test of transactions of the company.

2

4.4.2 Why is it important for an external auditor to be 'independent'?

Any valid explanation ✓✓ one mark for partially correct answer

Expected response:

- Because of the separation of ownership of a company (by shareholders) from the control of a company (by directors)
- It is essential that the external auditor be free to express an unbiased opinion that is not influenced by others.
- Because the Companies Act requires the auditor to be independent.
- Because independence gives credibility to his report (it enables others to rely on the report).

2

4.4.3 Why is it important for an external auditor of a public company to be a member of a professional body, such as SAICA?

Any valid explanation ✓✓ one mark for partially correct answer

Expected response:

- Assurance of his knowledge of accounting and auditing principles and procedures (all technical aspects & legislation)
- Disciplinary procedures should he be negligent in his duties (code of conduct / code of professional practice)
- Continuous professional training development
- Ensures standardisation of treatment of financial statements (IFRS etc)

2

4.4.4 You have been appointed as the external auditor of Modjaji Limited. The managing director, Tom Burke, has asked you to reflect his directors' fees of R3,6m under Salaries and Wages in the Income Statement. Would you agree with his request? Give a reason.

Opinion No ✓ Any valid reason ✓✓ one mark for partially correct answer

Expected response:

- This is a material amount which is of interest to the shareholders who have appointed the directors and it should therefore be shown separately in the financial statements (concept of materiality)
- It is a disclosable item (according to Companies Act) – not ethical to hide the amount
- Transparency is an important characteristic in corporate governance.

3

Two partially correct answers under 4.4.1 to 4.4.4 can equate to one complete answer

TOTAL MARKS**65**

QUESTION 5

5.1		ASSET DISPOSAL			
2009 Dec. 31	✓ Equipment	✓ 40 000	2009 Dec. 31	✓ Accumulated depreciation on equipment (12 000 ✓ + 3 000 ✓) <i>If separate lose mark on total</i>	✓ 15 000
				✓ Bank	☑ 25 000
	-1 for any extra entry				Operation any one part correct
		40 000	operation	☑ both totals agree	40 000

9

5.2	FIXED (TANGIBLE) ASSETS	Land and Buildings	Equipment
		R	R
	Carrying value at beginning of year	4 139 000	165 000
	Cost	4 139 000	300 000
	Accumulated depreciation	0	(135 000)
	Movements		
	Additions	0	160 000
	Disposal -1 if no details	✓✓ (1 375 000)	See 5.1 ☑ (25 000)
	-1 if no details	0	☑ (52 000)
	Depreciation see 5.1 – do not accept 12 000 39 000 ✓✓ + 3 000 ☑☑ + 10 000 ✓✓ 19 500 ✓+ (19 500 ✓+ 3 000 ☑☑) + 10 000 ✓✓		
	Carrying value at end of year	2 764 000	Operation from bottom up ☑ 248 000
	Cost	✓✓ 2 764 000	✓ 420 000
	Accumulated depreciation	0	Any reasonable negative figure ☑ (172 000)

15

5.3 OKUHLE LIMITED

CASH FLOW STATEMENT FOR THE YEAR ENDED 30 JUNE 2010

Cash effects of operating activities		327 100
Cash generated from operations		570 400
Interest paid		(89 200)
Dividends paid		(76 500)
Income tax paid		(77 600)
<p>If workings are not shown but answer is correct, award full marks (with penalty on the final mark if inflow or outflow incorrectly reflected)</p> <p>If items are misplaced, award the marks but -1 each time for misplacement</p>		
Cash effects of investing activities operation one part correct	<input checked="" type="checkbox"/>	1 240 000
✓ Fixed assets / Property & equipment must be shown as outflow	✓	(160 000)
✓ Sale of fixed assets 1 375 000 <input checked="" type="checkbox"/> + 25 000 <input checked="" type="checkbox"/> see 5.2 must be shown as inflow	<input checked="" type="checkbox"/>	1 400 000
Cash effects of financing activities operation one part correct	<input checked="" type="checkbox"/>	(202 000)
✓ Issue of shares 150 000 ✓ + 18 000 ✓ must be shown as inflow	✓	168 000
✓ Long-term loan 650 000 ✓ – 280 000 ✓ must be shown as outflow	✓	(370 000)
Net change in cash equivalents operation	<input checked="" type="checkbox"/>	1 365 100
Cash equivalents – beginning of year		(1 295 000)
Cash equivalents – end of year operation	<input checked="" type="checkbox"/>	70 100

5.4 List THREE of these significant decisions. Quote figures to support your answer.

Allocate 1 mark for the item and 1 mark for the figure

Must have the compulsory item plus 2 optional items

Compulsory : 2 marks ✓✓

- Fixed assets sold for R1 400 000 (or L&B sold for R1 375 000) (see 5.3)

Optional 2 marks each = 4 marks ✓✓ ✓✓

- Bank overdraft was paid off – cash resources moved from negative R1 295 000 to positive R70 100 (see 5.3)
- Loan was repaid by R370 000 (see 5.3)
- Shares were issued for R168 000 (see 5.3)
- Dividends decreased from 60c to 24c thereby increasing retained income

6

5.5.1 Earnings per share

R217 000 ✓ / 380 000 shares ✓ = 57,1 cents ✓ operation - one part correct
Candidate cannot get full marks if a foreign aspect is introduced

3

5.5.2 Debt-equity ratio

Must be in this sequence

R280 000 ✓ / R2 753 800 ✓ = 0,1 : 1 ✓ operation - one part correct
Candidate cannot get full marks if a foreign aspect is introduced
The ratio must in the format x:1

3

5.5.3 Return on average capital employed

$$\frac{310\,000\checkmark + 89\,200\checkmark}{\checkmark\checkmark (3\,110\,000 + 3\,033\,800) / 2} \times \frac{100}{1}$$

any one part correct

$$= \frac{399\,200}{3\,071\,900} \times \frac{100}{1}$$

= 13% ✓ operation - one part correct

5

5.6 Comment on the debt-equity ratio and the return on average capital employed. Quote the figures of these financial indicators and comment on EACH.

Quoting of relevant figures ✓ ✓ See 5.5.2 & 5.5.3
Comment on each ✓ ✓

Debt equity ratio decreased from 0,3 : 1 to 0,1 : 1 which indicates that the company is relying less on loans (lowly geared / low risk).

The return on capital employed of 13% is lower than the interest rate on the loan of 16% which indicates that there is negative gearing, i.e. the company should not make use of outside loans in future.

OR As there was positive gearing ratio last year the loan should not have been repaid.

The ROCE dropped from 19% to 13% - this indicates that the company will not benefit from the use of external loans bearing interest at 16%.

4

5.7 Comment on the liquidity position for 2010. Quote THREE relevant financial indicators (actual ratios or figures) to support your answer.

Comment:

Any valid comment ✓✓

Two marks for a global overall on whether the liquidity situation is good or bad (this may be mentioned in the section on financial indicators).

If partial comments are provided under 5.7, max 1 mark may be awarded.

Expected response:

The liquidity is satisfactory because the company should not have any problem in settling its current debts (current assets are approximately double the current liabilities, the liquid assets exceed the current liabilities and the stock, debtors and creditors period are satisfactory). *Candidates could mention that increase in stock period might be a problem (depends on type of business).*

Financial indicators (actual ratios or figures):

Quoting of relevant indicators ✓ ✓ ✓
Any three valid ratios or figures ✓ ✓ ✓

Current ratio: This improved from 0,3 → 1,9

Acid test ratio: This improved from 0,2 → 1,2

Stock period: This increased from 40 days → 60 days

Debtors period: This decreased from 32 days → 15 days

Creditors period: This increased from 30 days → 42 days

If candidates provide additional irrelevant indicators, search for the correct ones in the answer provided by the candidate and award marks accordingly. Penalty of -1 max for irrelevant indicators.

8

5.8 An existing shareholder is disappointed with the price of R5,60 at which the new shares were sold. Quote a financial indicator to support their opinion and comment on it.

Comparison of share issue price with NAV of R7,25 ✓

Comment: ✓✓ The issue price is less than the net asset value – the company should have raised a lot more through the shares issued.

OR

He may be disappointed with the fact that the market is not prepared to pay at least the book value of the share.

One mark for partially correct answer The issue price is under-valued.

3

5.9 A friend of yours is not interested in buying shares in this company. Quote figures for TWO financial indicators, other than those discussed above, to support his opinion and comment on EACH.

Mentioning the name of the indicators ✓ ✓

Quoting of relevant figures ✓ ✓

Explanation of two relevant financial indicators ✓ ✓

- The return on shareholders equity dropped from 16% to 8,3% and this might be marginally above returns on other investments.
- The earnings per share dropped from 105 cents to 57,1 cents (see 5.5.1) which is low in comparison to the value of the shares
- The dividends per share dropped from 60 cents to 24 cents which is low in comparison to the value of the shares
- The dividend pay-out rate dropped from 57% to 42% which indicates that the company might have reduced dividends in order to solve its liquidity problems

Do not accept comments on share price, net asset value, liquidity, debt-equity and return on capital employed.

6

TOTAL MARKS
80

QUESTION 6

6.1.1	<p>Calculate the insurance figure for November 2010.</p> <p>$7\ 000 + (6\% \text{ of } R7\ 000) = R7\ 420$ ✓✓ If either 7 000 or 6% correct</p>	<div style="border: 1px solid black; width: 40px; height: 20px; margin: 0 auto;"></div> <div style="border: 1px solid black; width: 40px; height: 20px; margin: 0 auto; text-align: center;">2</div>
6.1.2	<p>Calculate the % increase in Steffi Smit's salary in October 2010.</p> <p>$(5\ 250 - 4\ 200)$ $1\ 050 / 4\ 200 \times 100 = 25\%$ ✓✓ If either 1 050 or 4 200 correct & answer must be % 4 200 must be the denominator</p>	<div style="border: 1px solid black; width: 40px; height: 20px; margin: 0 auto;"></div> <div style="border: 1px solid black; width: 40px; height: 20px; margin: 0 auto; text-align: center;">2</div>
6.1.3	<p>Calculate the mark-up % that is applied on the sale of refreshments.</p> <p>$9\ 600 / 12\ 000 \times 100 = 80\%$ ✓✓✓ If either 9 600 or 12 000 correct & answer must be % OR $12\ 160 / 15\ 200 \times 100 = 80\%$ ✓✓✓ If either 12 160 or 15 200 correct & answer must be % OR $33\ 920 / 42\ 400 \times 100 = 80\%$ ✓✓✓ If either 33 920 or 42 400 correct & answer must be % Cost of refreshments must be the denominator (12 000 or 15 200 or 42 400)</p>	<div style="border: 1px solid black; width: 40px; height: 20px; margin: 0 auto;"></div> <div style="border: 1px solid black; width: 40px; height: 20px; margin: 0 auto; text-align: center;">3</div>
6.1.4	<p>Calculate the amount invested in the fixed deposit on 1 September 2010.</p> <p>$\frac{640}{1} \times \frac{100}{8} \times \frac{12}{1}$</p> <p>= R96 000 ✓✓✓ If at least one aspect correct: 640 or 8 or 12</p>	<div style="border: 1px solid black; width: 40px; height: 20px; margin: 0 auto;"></div> <div style="border: 1px solid black; width: 40px; height: 20px; margin: 0 auto; text-align: center;">3</div>
6.1.5	<p>Calculate the interest on the fixed deposit for November 2010.</p> <p>6.1.4 – 30 000 $R66\ 000 \times 8\% / 12 = R440$ ✓✓ If 8% or 12 months used in calculation</p>	<div style="border: 1px solid black; width: 40px; height: 20px; margin: 0 auto;"></div> <div style="border: 1px solid black; width: 40px; height: 20px; margin: 0 auto; text-align: center;">3</div>
6.2.1	<p>How many new customers did Piet expect to gain from the marketing strategy in September 2010?</p> <p>$(285\ 000 \checkmark / 500 \checkmark) - 450 \checkmark = 120 \checkmark$</p> <p>OR:</p> <p>$18\ 000 \checkmark / 150 \checkmark \checkmark = 120 \checkmark$</p>	<div style="border: 1px solid black; width: 40px; height: 20px; margin: 0 auto;"></div> <div style="border: 1px solid black; width: 40px; height: 20px; margin: 0 auto; text-align: center;">4</div>

6.2.2 What TWO aspects of the marketing strategy could be improved? Give figures to support your answer and make suggestions for EACH.

Any two valid aspects identified ✓ ✓
 Any two relevant figures ✓ ✓
 Any two valid suggestions ✓ ✓

Possible responses:

- The marketing employees must apply discretion in convincing people to buy contracts e.g. Dan sold 113 contracts yet 38 of them were cancelled (40 contracts were cancelled in total). Commission should not be paid until after all new contract holders are proved to be reliable customers. OR Contracts must be legally binding for a minimum period of time.
- The transport allowance of R9 000 paid exceeded the budget of R6 000. This allowance should be paid only in respect of the number of contracts issued e.g. they all received a travel allowance of R3 000 despite the fact that Chase issued 80 contracts as opposed to Jane's 35.

6

6.2.3 Has Steffi Smit been successful in the collection of fee income? Explain by quoting figures to support your opinion.

To earn full marks, candidates must consider collections for the actual number of members (see 6.2.1), not the budgeted number of members i.e. they must compare actual collections to the total fees they should have received from the actual number of members.

Opinion: No ✓
Explanation for No: ✓✓ one mark for partially correct answer

Despite the fact that she collected all the fees due in Sept, there was a significant shortage in Oct and Nov. **OR** Overall for the period Sept to Nov there was a shortfall in collection of fees.

Figures: Total fees for the period Sept to Nov should have been R997 000✓✓ (i.e. R339 000 + R339 000 + R319 000). She only collected fees of R935 000✓✓, i.e. shortfall of R62 000 (i.e. this is worth 4 marks).

OR

Total number of members in Oct was 678 (450 + 228). She only collected fees of R323 000 (646 members), i.e. shortfall of R16 000 (32) 2 marks
 Total number of members in Nov was 638 (678 - 40). She only collected fees of R273 000 (546 members), i.e. shortfall of R46 000 (92). 2 marks

If candidates compare actual collections to the budgeted fees, they are not taking into account the changed number of members. These candidates cannot earn more than 3 marks.

Opinion: Yes ✓
Explanation: ✓

Total collections exceed the total budget OR Monthly collections exceed the monthly budget (except in Nov).

Figures: ✓

Total: R855 000 was budgeted for the period yet she collected R935 000
 Sept: R285 000 → R339 000 (collections exceed budget)
 Oct: R285 000 → R323 000 (collections exceed budget)

If candidates focus on Sept only and compare to actual members:

Opinion: Yes ✓
Explanation: She collected fees of all members. ✓
Figures: Total number of members in Sept was 678 (450 + 228). She collected fees of R339 000 (678 members). ✓

7

TOTAL MARKS
30

TOTAL: 300