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KWAZULU-NATAL PROVINCE

EDUCATION
REPUBLIC OF SOUTH AFRICA

NATIONAL SENIOR CERTIFICATE

GRADE 12

ACCOUNTING MEMORANDUM JUNE 2021

MARKS: 100

MARKING PRINCIPLES:

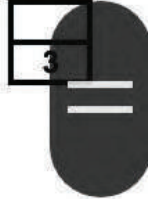
1. Penalties for foreign items are applied only if the candidate is not losing marks elsewhere in the question for that item. No double penalty applied.
2. Penalties for placement or poor presentation (e.g. details) are applied only if the candidate is earning marks on the figures for that item.
3. Full marks for correct answer. If answer incorrect, mark the workings provided.
4. If a pre-adjustment figure is shown as the final figure, award one mark. Not the method mark for the answer. Note: if figures are stipulated in memo for components of workings, these do not carry the method for final 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 a certain question.
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. 'Operation' means 'Check operation'. 'One part correct' means 'Operation & one part correct'. Note: check operation must be +, -, x, ÷, or per candidates operation.
11. In awarding method marks, ensure that candidates do not get full marks for any item that is incorrect, indicate with a ☒. Note: do not award marks for workings if numerator and denominator are swapped-this also applies to ratios.
12. Be aware of candidates who provide valid alternatives beyond the marking guideline.
13. Codes: f=foreign item; p=placement

This memorandum consists of 9 pages

QUESTION 1

1.1	Indicate whether the following statements are TRUE or FALSE. Write only 'True' or 'False' next to the question number.
1.1.1	True ✓
1.1.2	True ✓
1.1.3	False ✓

1.2.1	<p>How can the preparation of a debtor's collection schedule and Debtor's age analysis assist Njabulo in controlling of debtors.</p> <p>Debtor's collection schedule:</p> <p>Any valid explanation ✓ ✓ Good explanation = 2 marks; satisfactory = 1 mark; incorrect answer = 0 marks</p> <ul style="list-style-type: none"> • Project anticipated receipts from debtors. • Ensure that debtors keep to terms of their accounts. • Act if the debtors do not comply with credit terms • Compare anticipated budget with actual budgets. <p>Debtor's age analysis assist:</p> <p>Any valid explanation ✓ ✓ Good explanation = 2 marks; satisfactory = 1 mark; incorrect answer = 0 marks</p> <ul style="list-style-type: none"> • Effective method of credit control. • Action can be taken against debtors who do not comply by charging interest/ legal action. • Bad debts can be minimized. • Make decision based on age analysis of the debtor(s).
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1.2.2 Sobantu Traders have the pay slip of all their debtors. What other information should they obtain before allowing customers to open accounts? State TWO points with a reason in each case.

Do not accept payslip of debtor

Can award two marks if information & reason is in same sentence

Information to be obtained ✓ ✓	Reason ✓ ✓
Telephone numbers	Prompt communication of statement of account.
Proof of residence / Address	To be able to trace debtors not adhering to credit terms and conditions. To avoid fictitious debtors. To be able to do a proper background check on each new debtor. Constant reminders of amount owed. To ensure that statements are sent to correct addresses.
Contact details of family / friend	To track the debtor if other information is incorrect / changes.
Bank statement / balance	To check how the debtor is managing his finances.
Identity document	Ensure that correct personal details of customers are on record
Credit references / Credit history	To check that they will not sell to bad debtors To check credit worthiness
Email address	Prompt communication of statements of account



4

1.2.3 Calculate the percentage of debtors complying with the credit terms.

36 024 + 24 016

60 040 ✓

OR

$\frac{240\ 160}{300\ 200} = 80\%$

300 200 ✓

= 20 %

One part correct

100% – 80% = 20%

OR 12% + 8% = 20%

3

1.2.4 Explain TWO measures to improve collection from debtors

Any TWO relevant measures ✓✓ ✓✓

Part-marks for unclear / incomplete answers

Possible responses for two marks: Accept alternative valid responses

- Monthly statements must be sent out/ emailed on time
- Offer higher discount for early payments.
- Add interest on overdue account.
- Do not sell to debtors exceeding the credit limit/ not up to date with payments.
- Send SMS reminders to debtors.
- Employ service of an attorney or debt collector / sue the debtor.
- Encourage debtors to pay by debit order.

4

1.3.1 Provide THREE points for good internal control over creditors

Any three valid and separate points ✓ ✓ ✓

Beware of alternative wording which reflects the same point.

Beware that two separate points could be in the same sentence.

- Assess the efficiency of the creditors clerk in order to prevent errors from occurring
- Ensure that creditors are paid on time to make use of discounts
- Make full use of credit terms to assist cash flow
- Division of duties amongst members of the accounting department so that one person serves as a check on another
- Reconcile the balance on the creditors control account with the total of creditors' list to ensure accuracy on a monthly basis
- The statement of account of individual creditors must be reconciled (agreed) with their accounts in the creditors ledger
- Conduct internal audits to minimise the possibility of fraud or error / Check documents (e.g. invoices and credit notes) to ensure accuracy of calculations and entries
- Ensure that items ordered from creditors are correctly received (i.e. quantities, condition, price)
- Ensure that all purchases are correctly authorized (i.e. procurement policy)

3

1.3.2

	CREDITORS LEDGER OF MATHEBULA TRADERS	STATEMENT FROM NGUBANE SUPPLIERS
	17 925	29 400
A.		+ 2 100 ✓
B.	+ 875 ✓	
C.	(1 190 - 690) - 500 ✓✓	
D.	(3 100 +3 100) +6 200 ✓✓	
E.		- 7 000 ✓
	24 500 ✓ Operation one part correct	24 500 ✓ Operation one part correct

-1 per line if the figures appear on both sides only if the transaction required so.

9

30

QUESTION 2: INVENTORY SYSTEMS

2.1.1 Calculate the value of closing stock using the FIFO method of stock valuation.

120 units

$$80 \times R6\,500 = R520\,000 \checkmark$$

$$40 \times R5\,500 = R220\,000 \checkmark$$

$$120 \times 1\,375 = \underline{R165\,000} \checkmark\checkmark$$

$$= R905\,000 \checkmark \text{ Operation one part correct}$$

$$\text{OR } 80 \times 7875 = R630\,000 \text{ two marks}$$

$$40\,000 \times 6875 = \underline{R275\,000} \text{ two marks}$$

$$R905\,000$$

5

2.1.2 Calculate Cost of Sales using the FIFO method.

O/S + purchases + Import duties - closing stock

$$= 70\,000 \checkmark + R1\,930\,000 \checkmark + 522\,500 \checkmark - 905\,000 \checkmark \text{ See 2.1}$$

$$= R1\,617\,500 \checkmark \text{ Operation one part correct}$$

5

2.1.3 Calculate the stock turnover rate of air conditioner (use the average stock).

$$\frac{1\,617\,500 \checkmark}{\frac{1}{2} \checkmark (70\,000 \checkmark + 905\,000 \checkmark)} = 487\,500 \text{ Three marks}$$

$$\text{OR } \frac{\text{Using units } 258}{\frac{1}{2}(20 + 120)} = 3.6 \text{ times}$$

$$3 \text{ times} \checkmark \text{ Operation one part correct}$$

5

2.1.4 Calculate the number of units missing.

$$\begin{aligned} 20 \checkmark + 380 \checkmark &= 400 \text{ available for sale} \\ &- 258 \checkmark \text{ sold} \\ &- 120 \checkmark \text{ physical count} \\ &= 22 \checkmark \text{ missing} \end{aligned}$$

5

2.1.5 **What solutions would you offer to the CEO to help solve the problem of the missing units? Provide TWO good solutions.**

Solution 1:
Convert to Perpetual ✓
Regular stock counts and better internal control over stock.

Solution 2:
Documentation → proper authorisation, receiving of goods ✓

Do not accept installation of security cameras and division of duties

2

2.1.6 **Cool Traders uses the Periodic Stock system. Briefly explain to the CEO how the Perpetual Stock System works. In your explanation state TWO main advantages of the Perpetual Stock System.**

Explanation: ✓
Cost of sale is recorded with each sale.

Advantages: ✓
Trading Stock balance is adjusted immediately.
Deficits can be identified timeously through physical stock taking.
Gross profit can be calculated at any point in time without physical stock taking.

2

2.1.7 **• In your opinion, why do you think CEO wants to increase the value of cost of sales in the financial statements?**

It decreases gross profit / net profit and therefore decreases tax liability. ✓

1

• Provide ONE reason why the bookkeeper says that alternating between two methods of valuing stock does not comply with the requirements of GAAP

Any acceptable answer ✓

- The business must stay consistent from year to the next in order to compare results.
- Not ethically correct to manipulate profit by changing policies

1

2.2 GYM SLIM

2.2.1 Calculate the number of days of stock on-hand for Gym Bags. Gym Bags are sold at a mark-up of 25% on cost. The average stock amounted to R153 600.

$$\frac{153\ 600 \checkmark}{260\ 400 \checkmark}$$

$$\times \frac{365}{1}$$

215 days

one part correct accept 216 days

OR using number of units

$$\frac{1}{2} (290 + 804) \times \frac{365}{930 \quad 1}$$

215 days

3

2.2.2 Identify ONE different problem in respect of the manner in which each product is managed. Quote figures to support your answer. In each case offer practical advice.

	Problem and figures ✓ ✓ ✓	Possible solution ✓ ✓ ✓ One per item
Sweatbands	120 + 5 600 – 4 800 = 920 – 810 = 110 missing	Internal control measures to safeguard the stock e.g. Security tags, cameras, display close to paying point, physical stock-taking on a continuous basis
Towels	840 X R125 = R105 000 R105 000 – R100 00 = R5 000 cash missing	<ul style="list-style-type: none"> Investigate and apply disciplinary measures. Check at exit that the payment for the towels appears on the pay slip / invoice. Check money before banking. Division of duties
Gym Bags	Too much stock on hand - 215 / 216 days See 2.2.1	<ul style="list-style-type: none"> Revisit sales policy and implement measures to encourage sales. Discontinue selling gym bags since sales are low even though the mark-up percentage is only 25%.

6

35

QUESTION 3**3.1.1 Production Cost Statement on 28 February 2021**

Direct Materials Cost (16 400 + 529 575✓ – 19 000 ✓ – 21 600 ✓ + 4 725✓)	510 100	✓
Direct Labour Cost (115 200✓ + 77 600✓ + 17 280✓)	210 080	✓
Prime Cost	720 180	✓
Factory Overhead Cost	63 230	✓
Total Cost of Production	783 410	✓
Work-in Process at the beginning of the year	19 400	
	802 810	
Work-in Process at the end of the year	(22 810)	
Cost of Production of Finished Good	780 000	✓
(25 600✓ + 782 700✓ – 28 300✓)	Operation one part correct	

16

3.1.2 Abridged Income Statement for the year ended 28 February 2021.

Sales	9 78 375
Cost of sales	(782 700) ✓
Gross profit	195 675
Selling and distribution cost (86 000 – 1 000)	(85 000) ✓✓
Administration cost (25 000 + 1 000)	(26 000) ✓✓
Net profit	84 675 ✓

6

3.2.1 Calculate the break-even point for the year ended 28 February 2021.

348 500 two marks
 $246\ 000 \checkmark + 102\ 500 \checkmark$
 $150 \checkmark - 70 \checkmark \checkmark$
 80 three marks
 4 356 or 4 357 ✓ units Operation one part correct

6

3.2.2 Should the business be satisfied with the number of units that are currently produced? Explain.

Any one explanation ✓✓ Figure ✓

Compare BEP with units produce and sold

see 3.2.1

They are producing 4 100 and the break-even is 4 356/4 357 units.

OR

Produce 256/257 units less than what is required to break-even.

3

3.2.3 Despite the fact that there was an increase in the price of direct material, the direct material cost per unit decreased from R32 to R27. Give valid reasons for the decrease.

Any two valid points ✓✓

- Better training of workers resulted to less wastage.
- Raw material obtained at a cheaper price.
- Greater care or efficiency in the use of raw material resulted to less wastage.
- Tighter control over use of raw material.

Award one mark for the following response

- Training of workers.
- Less wastage.

2

3.2.4 Despite the fact that there was no increase in wages during the year, the direct labour cost per unit increased from R20 to R28. Give a valid reason for the increase.

Any valid point ✓✓

- More overtime
- Decrease in productivity, working slower, demotivated or lazy workers
- Poor supervision of workers.
- Unproductive workers due to power cuts

2

TOTAL MARKS
35

