



**WORKED EXAMPLE OF A
YEAR-END GRADE 12 ACCOUNTING EXAMINATION
PREPARED BY NEW ERA ACCOUNTING**

MARKING GUIDELINE

PAPER 2

Question	Maximum Marks
1	35
2	55
3	35
4	25
TOTAL:	150

This marking guideline consists of 9 pages.

QUESTION 1

1.1	1.1.1	1.1.2	1.1.3	1.1.4	1.1.5	5
	Specific identification ✓	FIFO ✓	Perpetual system ✓	Periodic system ✓	Weighted average ✓	

1.2.1	Calculate the closing stock value of school bags on 29 February 2020.		8
	Workings	Answer	
	$\frac{24\ 910 + 283\ 700 - 5\ 250}{170 + 1\ 780 - 30} \times 147$	R23 226 ✓	

	Calculate the stock turnover rate of school bags.		4
	Workings	Answer	
	$\frac{280\ 134}{\frac{1}{2}(24\ 910 + 23\ 226)} = \frac{280\ 134}{24\ 068}$	11,6 ✓ or if units used: 11,1 times	
	OR if units used: $1\ 763 \div 158,5$		

1.2.2	Calculate the number of school bags missing.		5
	Workings	Answer	
	$\frac{1\ 920}{(170 + 1\ 780 - 30)} - 147 = 1\ 763$	10 ✓	
	Provide TWO suggestions to address this problem.		
	TWO points ✓ ✓		
	Physical inspections / security at excess points / security tags on bags / random stock-counts		2

1.2.3	Calculate the closing stock value for computer bags on 29 February 2020		5
	Workings	Answer	
	$(150 + 120 + 50) \times 320 - 150 = 170 \times R650 = R110\ 500$	R 289 000 ✓	
	$(200 + 120 + 75) \times 395 - 140 = 255 \times R700 = R178\ 500$		

1.2.4	Explain the nature of the problem that faces Thandi. what action she should take to address this matter. Mention THREE points.		6
	<p style="text-align: center;">Any three ✓✓ ✓✓ ✓✓ part marks for partial answers</p> <ul style="list-style-type: none"> • Unethical, fraudulent behaviour of a senior manager. • Nepotism, supporting (colluding) with family member • Knowingly placing the business at financial risk (could get the bag cheaper) • Over R280 000 tied up in stock (stockpiling) • 60% of the bags remain unsold (425/715) • Target market (schools) possibly cannot afford the bags 		

TOTAL: 35 MARKS

QUESTION 2

2.1.1 Refer to Information G. Calculate Salaries & wages to be paid in May 2020.

Workings		Answer
Manager gets	$R13\ 000 + R26\ 000 = R39\ 000 \checkmark$	R116 000 ✓
Workers get	$R84\ 000 \times \frac{10}{12} \times \frac{110}{100} = R77\ 000 \checkmark\checkmark$	

4

2.1.2 Refer to Information J. Calculate the amount that will be paid to Ace-Tech on 31 May 2020.

Workings		Answer
Depreciation March-May =	$43\ 200 \times 33\frac{1}{3}\% \times \frac{3}{12} = R\ 3\ 600 \checkmark$	R60 600✓
Cost of new computer	= R69 000 ✓	
Net book value =	$43\ 200 - 31\ 200 - 3\ 600$ less: <u>R 8 400</u> ✓✓	

5

**2.1.3 WOOD TRADERS (Pty) Ltd
CASH BUDGET**

		APRIL 2020	MAY 2020
		R	R
CASH RECEIPTS:			
Cash sales		✓✓ 525 000	498 750
Cash from debtors		684 000	661 500
Commission income		✓ 7 500	✓ 9 000
Other income			
Total receipts	4	1 296 500	1 289 250
CASH PAYMENTS: Superfluous/foreign entries -1 (e.g. for depreciation)			
Cash purchases of stock		✓✓ 150 000	142 500
Payments to creditors		499 200	✓✓ 576 000
Sundry expenses		28 000	✓✓ 25 900
Directors fees			
Audit fees			
Wages and salaries (see 2.1.1)		97 000	<input checked="" type="checkbox"/> 116 000
Advertisements		✓✓ 56 000	0
Repayment of loan		✓✓ 180 000	0
Interest on loan		6 600	4 950
Payment to Ace-Tech for computer (see 2.1.2)		0	<input checked="" type="checkbox"/> 60 600
Total payments	12	1 216 800	1 075 150
Surplus (deficit)		79 700	✓ 214 100
Opening bank balance		(172 000)	✓ (92 300)
Closing bank balance	4	✓ (92 300)	✓ 121 800

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2.2 UNIQUE TABLES (PTY) LTD

2.2.1 Calculate the percentage increase in the amount budgeted for salaries and wages for April 2020.

Workings	Answer
$\frac{5\,000}{48\,000} \times \frac{100}{1}$	10,4% ✓✓
Explain why the employees should be satisfied with this increase. Provide TWO reasons.	
It exceeds the inflation rate ✓	
The directors did not get an increase and they have not claimed the full amount due to them ✓	

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2.2.2 The financial director is pleased with the work being done by the bookkeeper and internal auditor. Identify an expense that indicates that he is correct.

✓ Audit fees

Explain your answer.

Expected response for 2 marks:
The audit fees are much lower than expected, which means that they spent less time on the audit / records were in order

Expected response for 1 mark: Audit fees lower than expected

3

2.2.3 Comment on how the new competitor has affected the sales of Unique Tables. Mention TWO points. Provide figures.

Comments ✓ ✓ Figures ✓ ✓ Any two valid points

- Cash sales are 25% of the amount budgeted while target was 80%
- Cash sales projected R1,12m while actual was R280 000 / under by 80 tables
- Gross profit was R120 000 under budget due to being 80 tables under target

Explain how Unique Tables has responded to this problem. Provide THREE points. Provide figures.

Point 1	Explanation ✓✓ Figures ✓ <i>Part-marks for incomplete explanations</i> <i>This is a compulsory point:</i> They deliberately increased credit sales (R280 000 was budgeted but R840 000 was sold on credit).
Point 2	Explanation ✓✓ Figures ✓ <i>Part-marks for incomplete explanations</i> <i>This is a compulsory point:</i> They used their full delivery expenses budget to assist their customers. Budgeted R300 per table (R120 000 ÷ 400) but spent R375 per table (R120 000 ÷ 320).
Point 3	Explanation ✓✓ Figures ✓ <i>Part-marks for incomplete explanations</i> They spent R50 000 on advertising (Budgeted R15 000; 233% overspent) OR Directors forfeited 50% of their fees to fund more advertising R30 000.

4

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2.2.4 Provide THREE points with evidence from the question which would account for the large cash deficit of R502 000.

Point 1	<p style="text-align: right;"><i>Explanation ✓ Figures ✓ Part-marks for incomplete explanations</i></p> <p>The cash from customers is coming in much more slowly. Evidence: Credit sales are now significantly higher in April and normal credit terms would apply.</p>
Point 2	<p style="text-align: right;"><i>Explanation ✓ Figures ✓ Part-marks for incomplete explanations</i></p> <p>The company bought a vehicle in April. Evidence: Motor vehicle expenses and depreciation are now being incurred.</p>
Point 3	<p style="text-align: right;"><i>Explanation ✓ Figures ✓ Part-marks for incomplete explanations</i></p> <p>The business paid a deposit on a property the bond. Evidence: Interest the bond is very high and a deposit would have been required.</p>

6

TOTAL: 55 MARKS

QUESTION 3

3.1.1 Calculate total cost of production of Biscuits as reflected in Production Cost Statement in April 2020.

Workings	Answer
$29\ 000 \times (R15,40 + R31,50 + R19,94)$	$R1\ 938\ 360$

5

3.1.2 Calculate the break-even point for Biscuits in April 2020.

Workings	Answer
$861\ 300 \div (R97,00 - R40,50)$	$21\ 267$ or 21 266

4

3.2.1 Comment on the change in Break-even point and level of production for Biscuits in April 2020. Quote figures.

<ul style="list-style-type: none"> • BEP increased from 18 578 to 21 267 units / by 2 689 / by 14,4% ✓ • Production decreased from 40 000 to 29 000 units / by 11 000 / by 27,5% ✓ • Production exceeds the BEP which means that the company is making a profit. ✓ • The margin between the two factors has narrowed significantly which makes it more difficult to earn a bigger profit / increases the risk of the business. ✓
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3.2.2 Comment on the change in Fixed costs per unit for Biscuits in April 2020. Quote figures.

Fixed costs per unit increased from R21,55 to R29,70 / by R8,15 / by 38% ✓✓

Explain why this changed.

Economies of scale were reversed as fixed costs were constant over both months but units produced dropped significantly. ✓✓ <i>part-marks for partial responses</i>

4

3.2.3 Comment on the change in direct materials cost per unit for Biscuits in April 2020. Quote figures.

DM cost per unit increased from R11,80 to R15,40 / by R3,60 / by 30,5% ✓✓

State TWO possible reasons for the change and how these can be rectified.

	Reasons	How these can be rectified
Reason 1	Wastage ✓	Training of workers ✓
Reason 2	Poor quality material ✓	Secure a better supplier ✓

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3.3.1 Explain what the CEO should say at the AGM to convince the shareholders that these allegations are not true. Mention the deliberate decisions or actions of the directors over the past two months and provide evidence to support your opinions. Quote figures. Quote figures.

Excellent explanation with all five points mentioned with figures = 8 marks
Very good explanation with most points mentioned with figures = 6-7 marks
Satisfactory explanation with some points mentioned with some figures = 4-5 marks
Poor explanation with one point mentioned with no figures = 1-3 marks

Expected responses:

- **Improvement in net profit:** The net loss in March of R122 700 moved to a net profit in April of R405 000 (i.e. a swing of (R527 700) / the directors believe the net profit (R525 700) will be sustainable and this exceeds the profit earned on earned on Biscuits in April (R313 500) which was the product that the company was well-known for.
- **Selling prices:** The loss in March was expected as the selling price was set at a low level of R65,00 (33% mark-up) to capture market-share but the selling price was increased to R80 in April, yet sales still improved (indicating good customer response).
- **Selling & distribution costs:** These were set at a relatively high level in March (R19,00) also to capture market-share but were reduced to R9,10 in April.
- **Internal control over costs:** There has been good control over all costs in April, direct materials were approximately the same as in March, there was a reduction of 48% in direct labour costs due to increased efficiency and supervision of the workers.
- **Economies of scale:** These occurred due to the increase in sales from 13 500 to 19 000 units / by 5 500 / by 40,7%.

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3.4.1 Calculate the additional profit that will be made on Cereals in May 2020 if production and sales increase by 10%.

Workings	Answer
1 900 x R39	R74 100 ✓✓

2

3.4.2 Calculate the number of extra units of Cereals that must be produced and sold in May 2020 to make an additional profit of R300 000.

Workings	Answer
300 000 ÷ R39	✓✓ 7 692,7 units or 7 692 units or 7 693

2

TOTAL: 35 MARKS

QUESTION 4

4.1 Calculate the correct balance of Mega Wholesalers in the Creditors' Ledger Account of Madiba Traders. Show the changes to the figure R92 340.

Workings	Answer
$ \begin{array}{r} \checkmark \quad \checkmark \quad \checkmark\checkmark \quad \checkmark\checkmark \quad \checkmark\checkmark \quad \checkmark\checkmark \\ 92\ 340 + 870 - 250 - 27\ 300 - 810 - 6\ 800 \\ \text{or } -3400 -3400 \end{array} $	58 050 <input checked="" type="checkbox"/>

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4.2 Creditors' Reconciliation Statement for Mega Wholesalers on 31 March 2020

Debit Balance per statement of account	63 600	✓
Credit error on statement (Inv 396)	(13 400)	✓✓
Debit error on statement (Receipt 673)	84 000	✓✓
Credit Transfer of debit balance not on statement	(3 600)	✓✓
Credit EFT not on statement	(71 100)	✓
Credit discount not on statement	(1 450)	✓
Correct balance	58 050	<input checked="" type="checkbox"/>

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4.3 Provide TWO reasons why Mega Wholesalers would not be happy with their credit controller in respect of how the account of Madiba Traders has been controlled.

- Madiba Traders has been allowed to buy over their credit limit on many occasions (opening Balance and during the current month). ✓✓
- Madiba Traders have also not complied with the credit terms. Interest was charged on an overdue amount. ✓✓

4

TOTAL: 25 MARKS