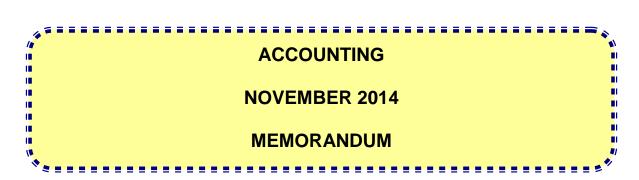


## basic education

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

### NATIONAL SENIOR CERTIFICATE

**GRADE 12** 



#### **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. 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 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 of candidates who provide valid alternatives beyond the marking guideline.
- 12. Codes: f = foreign item; p = placement/presentation.

#### This memorandum consists of 19 pages.

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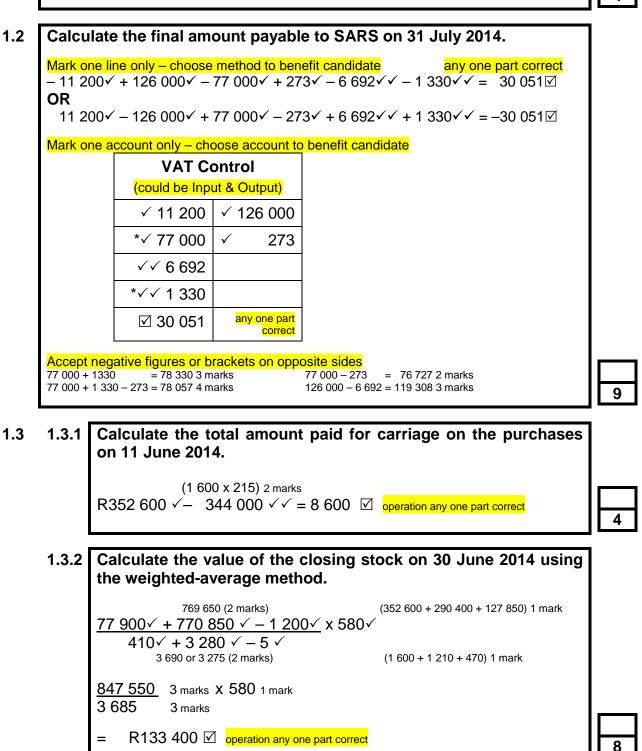
2 NSC – Memorandum

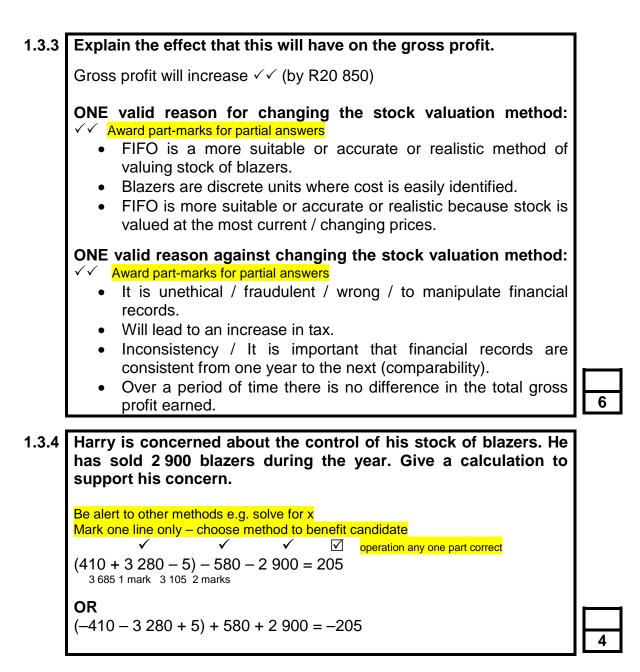
#### **QUESTION 1**



1.1.1	Value-added tax	$\checkmark$
1.1.2	0% Zero-rated	$\checkmark$
1.1.3	First In First Out	$\checkmark$
1.1.4	Perpetual/Continuous	$\checkmark$







TOTAL MARKS
35

4

#### **QUESTION 2**

2.1 The bookkeeper, Litzie, says it is not necessary for her to prepare a Creditors' Reconciliation Statement because the creditors send monthly statements to the business anyway. What would you say to her? State TWO points.

Any TWO valid points √√

 ✓ ✓ Must be 2 separate points; Award part-marks for incomplete answers

Expected responses:

- The statement could contain errors.
- This is an internal control measure.
- This will lead to detection of errors/omissions/fraud.
- To compare/check/reconcile the account to the statement.
- To ensure <u>VAT return</u> is correct / to assist in doing the VAT return.

2.2

No.	Creditors' Ledger of KZ Stores	Statement of account received from Valley Ltd
Balance	112 820	182 150
Α	- 9 000	- 9 000
В	√√ + 87 500	
С		√√ <b>+</b> 7 200
D		<ul><li>✓ - 1 400</li></ul>
E		<ul><li>✓ - 630</li></ul>
F	✓ ✓ + 2 100	
G	<ul> <li>✓ - 5 250</li> <li>✓ - 5 250</li> <li>- 10 500 (2 marks)</li> </ul>	
Н		√√ <b>+</b> 4 600
	182 920 ⊠*	182 920 ⊠*

Any ONE part correct; check reasonableness & including opening figures; Totals do not have to agree

Sign and amount must be correct to award marks; If no sign, assume positive Accept brackets as a negative figure Foreign / superfluous entries -1 each line; cannot be less than 0 per line

## 2.3 2.3.1 Explain what action should be taken against J van Wyk. State TWO points.

Any two valid points  $\sqrt[4]{\sqrt{\sqrt{\sqrt{\frac{1}{2}}}}}$  Must be 2 separate points; Cannot conflict with each other Award part-marks for incomplete answers

- Must be subjected to a disciplinary hearing
- Open a criminal case at SAPS
- Redeploy pending decision / suspend pending decision (on outcome of the hearing/case)
- Require employee to refund/repay employer for the costs/deduct from salary/take legal action for repayment
- Dismiss him as this is gross misconduct

Do not accept warning as a valid point for 2 marks unless candidate also mentions repayment as a point – in context of R37 500 fraud, warning alone is not sufficient

4

## 2.3.2 What must the business do to prevent a similar incident in future? Explain THREE points.

For 2 marks:

- Division of duties so that each person serves as a check on another / get someone else to authorise these transactions.
- Rotate duties so that employees do not have permanent control over an aspect of the business.
- Conduct internal audits / check documents to detect the fraud and errors.
- Physical stock control (to records) / check stock on hand to stock records.
- When goods are received, the receiving officer must check the stock received to the invoice and order form.
- Inform suppliers of the procedure for delivering goods to the business and do not deviate from this.

TOTAL MARKS
30

#### **QUESTION 3**

#### 3.1 3.1.1 SHARE CAPITAL

#### **AUTHORISED SHARE CAPITAL**

#### 750 000 ordinary shares

#### **ISSUED SHARE CAPITAL**

450 000 ✓	Ordinary shares in issue on 1 March 2013	3 215 000	$\checkmark$	
80 000	Ordinary shares issued during the year	760 000	$\checkmark\checkmark$	
(75 000)	Ordinary shares re-purchased (average price of R7,50√)	operation (562 500)	$\checkmark$	
<mark>5 000 more than</mark> opening figure 455 000 ☑	Ordinary shares in issue on 28 February 2014	Operation; one part correct OR shares x avg price used 3 412 500	V	9

#### 3.1.2 RETAINED INCOME

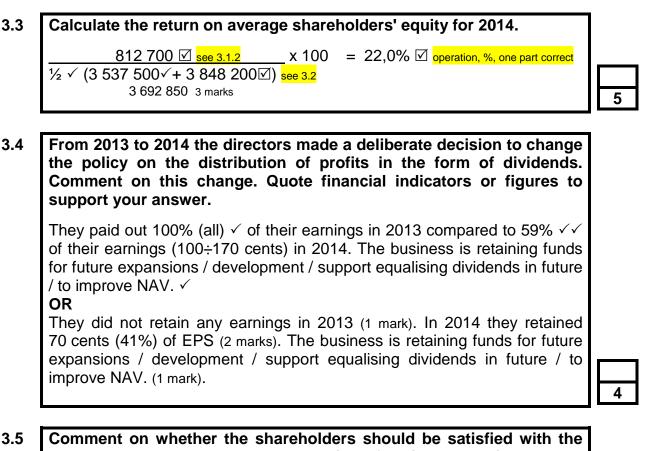
Balance on 1 March 201	3		322 500		
Net profit after tax			812 700	$\checkmark\checkmark$	
Shares repurchased 75 000√ x 2,90⊡ <mark>if R10,40</mark>	operation one part correct and i avg price above; must be at ≥R(		(217 500) 217 500 2 marks Zero 0 marks	V	
Ordinary share dividen	<b>ds</b> operation one part correct a	ind in brackets	(482 000)	$\checkmark$	
Interim dividends /	Paid		270 000	$\checkmark$	
Final dividends / D 530 000⊠ <mark>see 3.1</mark>			one part correct 212 000	V	
Balance on 28 February	/ 2014	operation	435 700	$\checkmark$	

Foreign entries -1 (-2 max)

#### 3.2 VIJAY LIMITED **BALANCE SHEET (STATEMENT OF FINANCIAL POSITION) ON** 28 FEBRUARY 2014

ASSETS		
Non-current assets operation (total assets – current assets)	3 884 000	$\checkmark$
Fixed assets operation	3 234 000	$\checkmark$
Financial asset: Fixed deposit	650 000	
Current assets operation	863 100	$\checkmark$
Inventories	275 400	
Trade and other receivables $(243\ 500\ \checkmark\ +\ 7\ 600\ \checkmark)$	251 100	$\checkmark$
Cash and cash equivalents	336 600	
TOTAL ASSETS transfer total equities and liabilities	4 747 100	
EQUITY AND LIABILITIES		
Shareholders' equity operation	3 848 200	$\checkmark$
Ordinary share capital see 3.1.1	3 412 500	$\checkmark$
Retained income see 3.1.2	435 700	$\checkmark$
Non-current liabilities	451 200	
Loan : William Bank (482 600 ✓ + 81 400 ✓ − 112 800 ✓) one part correct OR (482 600 + 81 400) x 80%	451 200	V
Current liabilities operation	447 700	$\checkmark$
Trade and other payables (62 460√+ 12 120√) one part correct	74 580	
Shareholders for dividends OR 482 000 #	Refer 3.1.2 212 000	VV
SARS : Income Tax (348 300 ✓ – 299 980 ✓ must be deducted under CL)	48 320	$\checkmark$
Current portion of loan check that loan has been reduced by this	112 800	VV
TOTAL EQUITY AND LIABILITIES operation	4 747 100	$\checkmark$
IOTAL EQUITY AND LIABILITIES operation	4747100	Ŀ
Foreign entries -1 (max -2)		

Foreign entries -1 (max -2) Presentation / Placement / Incorrect or incomplete details -1 (max -2)



3.5 Comment on whether the shareholders should be satisfied with the percentage return and the market price of their shares. Quote TWO relevant financial indicators (actual figures/ratios/percentages) and their trends. Give an additional comment in each case.

Indicators ✓ ✓ Trends & figures ☑ ✓ Extra comment ✓ ✓ ROSHE (1 mark): Increased from 18,3% to 22% (1 method mark) / by 3,7% points. (see 3.3) This exceeds the return on alternative investments (of 9%). (1 mark)

Must mention NAV as the indicator; Allocate 1 mark for trend of either the NAV or market price NAV (1 mark) is 846 cents NAV increased by 60 cents (from 786c to 846c) Market price decreased by 28 cents (from 1060c to 1032c) The market price exceeds the NAV (1 mark) / investors are prepared to pay extra for the shares.

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#### 3.6 The external auditors, Hassan and Jacob, have employed Janet to work on the audit of Vijay Ltd. Janet owns 10 000 shares in Vijay Ltd. Explain why this is a problem. $\sqrt{4}$ Any one valid reason; part-marks for partial answers • It is a conflict of interest/unethical. • She could influence the results in a positive or negative way. • Overlooking issues/insider information. She could be biased / not independent. • • Could put the validity / credibility of the audit at risk. Give a valid solution. $\checkmark \checkmark$ Any one valid reason; part-marks for partial answers She should sell the shares if she wants to continue working on the • audit. • She must be removed from this audit / she recuses herself from the audit / she takes on other projects within this audit firm. She must disclose her vested interest and ensure that her • employers / review committee make a decision on her participation in the audit.

TOTAL MARKS
65

#### **QUESTION 4**

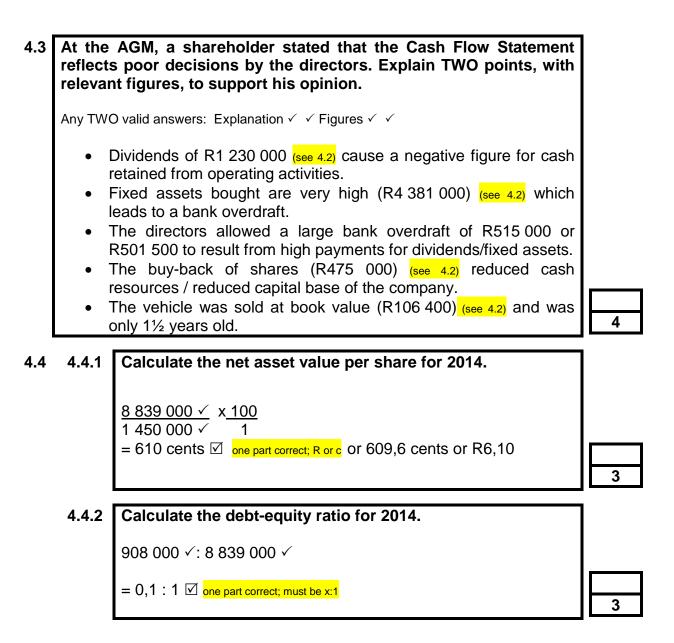
4.1 Calculate the missing amounts (indicated by a, b and c) in the Fixed/Tangible Asset Note for the year ended 28 February 2014.

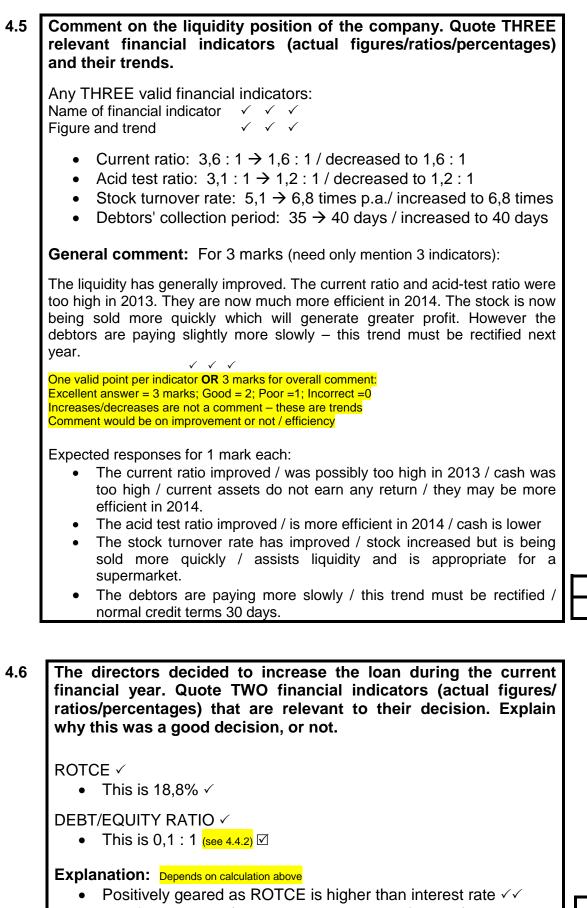
NO.	WORKINGS	AMOUNT	
а	6 740 000 – 2 689 000 no part marks	4 051 000 🗸	
b	140 000 – 33 600 no part marks	106 400 🗸 🗸	
С	$\begin{array}{c ccccccccccccccccccccccccccccccccccc$	one part correct 370 200 ☑	

METEOR SUPERMARKETS LTD CASH FLOW STATEMENT FOR YEAR ENDED 28 FEBRUARY 2014			
Cash flow from operating activities	(1 039 900)	Operation#	
Cash generated from operations	969 600		
Interest paid	(88 500)		
✓ Taxation 441 000 ✓ + 122 000 ✓ + 128 000 ✓ Details & correctly placed 563 000 (2 marks) OR -441 000 - 122 000 - 128 000	(691 000) 691 000: 3 marks	✓ Operation; one part correct & brackets	
<ul> <li>✓ Dividends 480 000 ✓ + 750 000 √ √</li> <li>Details &amp; correctly placed</li> <li>480 000 + 1 620 000 - 870 000</li> <li>OR - 480 000 - 1620 000 + 870 000</li> <li>1 mark</li> <li>1 mark</li> <li>1 mark</li> </ul>	(1 230 000) 1 230 000: 3marks	Operation one part correct & brackets	
Cash flow from investing activities	(4 274 600)	✓ Operation#	
✓ Purchase of fixed assets 4 051 000 → 330 000 ✓ Details & correctly placed see 4.1 a	(4 381 000) 4 381 000: 2 marks	✓ Operation one part correct & brackets	
<ul> <li>✓ Proceeds from disposal of fixed assets</li> <li>Details &amp; correctly placed</li> </ul>	106 400	✓ See 4.1b & no brackets	
Cash flow from financing activities	2 325 000	✓ Operation#	
<ul> <li>✓ Proceeds from the sale of shares</li> <li>Details &amp; correctly placed</li> </ul>	2 400 000√ 2 400 000: 1 mark	✓ correct & no bracket	
<ul> <li>✓ Share buy-back 50 000 x R9,50</li> <li>Details &amp; correctly placed</li> </ul>	(475 000√) 475 000: 1 mark	✓ correct & bracket	
<ul> <li>✓ Change in Ioan</li> <li>Details &amp; correctly placed</li> </ul>	400 000√ 400 000: 1 mark	✓ correct & no bracket	
Net change in cash and cash equivalents	(2 989 500)	✓ Operation	
Cash and cash equivalents at beginning of year	2 488 000		
Cash and cash equivalents at end of year	(501 500)	$\sqrt{\checkmark}^*$	

31

\* Operation from top **OR** R13 500 **OR** (R515 000) Valid alternative details acceptable # Operation one part correct in the sub-section (figures/details)







g

4.7 The Bakker family owns 740 000 shares in this company. Explain the effect that the repurchase of shares on 31 December 2013 had on their control of the company. Give a calculation(s) to support your answer.

Before the repurchase the family's shareholding was:

 ✓ Both figures
 ✓

 740 000
 x
 100
 = 49,3%

 1 500 000
 1
 1
 1

After the repurchase the family's shareholding is:

(Note: Shareholding increased by 1,7%; this is correct for 4 marks)

The family is now the majority shareholder.  $\checkmark$ 

#### For 3 marks:

They owned less than half the shares in issue before the repurchase (1 mark) but now own more than half the shares in issue (1 mark). The family is now the majority shareholder (1 mark).

#### For 3 marks:

They owned 740 000 of 1,5m shares before the repurchase (1 mark), and they owned 740 000 of 1,45m shares after the repurchase (1 mark). The family is now the majority shareholder (1 mark).

5

TOTAL MARKS
75

Δ

#### **QUESTION 5**

## 5.1 List FOUR items that should not have been placed in this Cash Budget. Discount received ✓ Bad debts ✓ Cost of sales ✓ Depreciation ✓ -1 for each superfluous additional item if four marks are earned

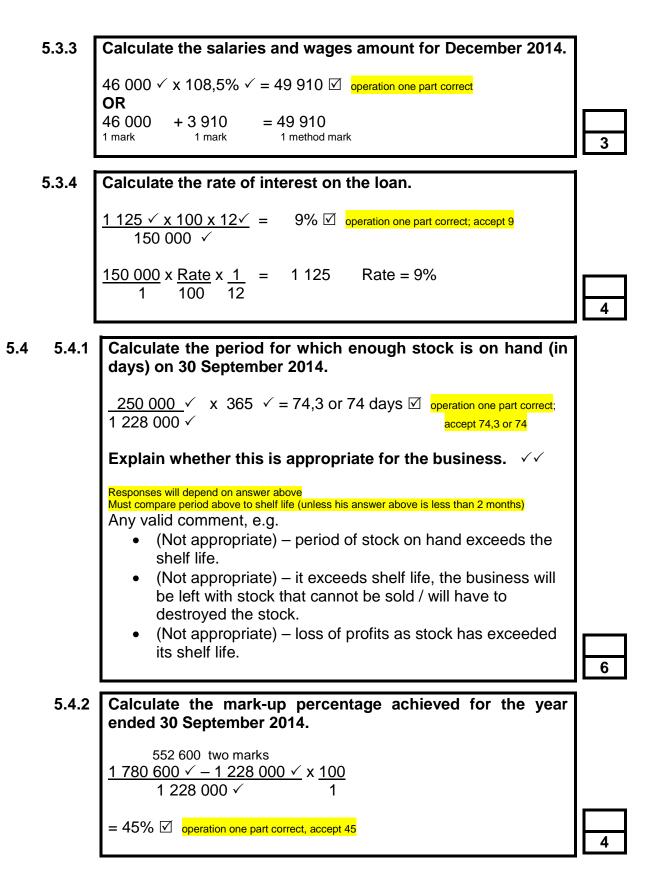
#### 5.2 CREDITORS' PAYMENT SCHEDULE

MONTH	CREDIT PURCHASES	OCTOBER	NOVEMBER	DECEMBER	
August	64 000	9 600			
September	67 200	50 400	10 080		
October	74 000	7 030	55 500	<ul><li>✓ ✓ 11 100</li></ul>	
November	68 000		6 460	√√ 51 000	
December	70 000√√		<mark>lf x 10% x 95%</mark>	√☑ 6650	
operation one part correct		67 030	72 040	☑ 68 750	9

 $\frac{40\ 500\ \checkmark\ x\ 100}{15\ \checkmark} = 270\ 000\ \boxed{\square} \ \frac{15\ \checkmark}{2500}$ 

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# 5.4.3 Comment on whether or not the change in the mark-up percentage has benefited the business. Give a calculation(s) to support your opinion.

Answer for FOUR marks:

This resulted in a decrease in gross profit  $\checkmark$ .

GP for 2013 = R1 680 000 x 60/160 = R630 000 √√ GP for 2014 = R1 780 600 - R1 228 000 = R552 600 √

OR

GP decreased (1 mark) by R77 400 (3 marks)

#### OR

GP decreased (1 mark) by 12,29% (3 marks) Accept 12,3%

Λ

TOTAL MARKS
40

#### **QUESTION 6**

#### 6.1 BRIAN'S BRELLIES

6.1.1	Calculate the direct labour cost.			
	Normal time: Bonus:	$1 920 \checkmark x R95 \checkmark = 182 400 x 3 \checkmark$ 547 200 x 12% if 12% of figure above one part correct	547 200 65 664 ☑ 612 864 ☑	
		3 x (182 400 + 21 888) = 612 864 1 mark 2 marks 1 mark 1 mark		5

#### 6.1.2 FACTORY OVERHEAD COST

Sundry factory e	expenses	30 975		
Indirect material	(52 200 ✓ + 4 400 ✓ - 3 600 ✓)	53 000	$\checkmark$	
Rent expense	(117 000 x <sup>5</sup> / <sub>8</sub> )	73 125	$\checkmark\checkmark$	
Insurance	(16 640 ✓– 1 280√) x 75% √	11 520	∕√*	
Salary of factory f	oreman (97 150√ + 8 750√ + 900√) 9 650: 2 marks	106 800	∕√*	
Water and electricity (20 010 ✓ ÷ 60 ✓ x 80 ✓) 33 350 x 80/100		26 680	⊻*	_
<mark>*C</mark>	annot get full marks per line if answer is incorrect			
TOTAL	*operation (one part correct)	302 100	√*	19
-1 for foreign ite	ems (advertising)			-

## 6.1.3 PRODUCTION COST STATEMENT FOR THE YEAR ENDED 31 JULY 2014

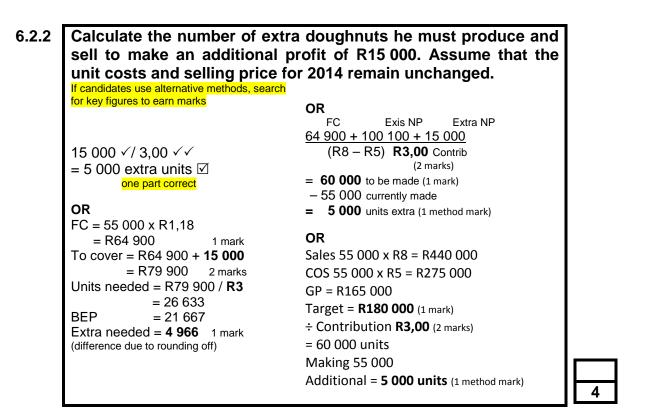
				1
Direct material cost		623 700		
#√Direct labour cost	see 6.1.1	612 864	$\checkmark$	
Prime cost	operation	1 236 564	$\checkmark$	
#√Factory overhead cost	see 6.1.2	302 100	$\checkmark$	
Total production cost	operation	1 538 664	$\checkmark$	
Work in process (1 August 2013)		37 600	$\checkmark$	
		1 576 264		
Work in process (31 July 2014)		(42 600)	$\checkmark$	
Cost of production of finished goods	operation (must be subtracted)	1 533 664	$\checkmark$	

# Mark awarded for placement & description

12

#### 6.2 BEN'S CATERING

dentify cost ✓ ✓ ✓ Figures ✓ ✓ ✓ Frends not necessary	Problem $\checkmark \checkmark \checkmark$ Valid advice $\checkmark \checkmark \checkmark$
ONE unit cost for doughnuts (Quote figures.)	Problem and advice Both must be specific, not general FC & VC & general expenses
Variable costs now R5,00 / R4,30 → R5,00 (16,3%)	Must mention either DLC or S&DC Possible cause of the problem: Workers are not operating
OR	efficiently/Wages increased/More overtime
Direct labour cost now R1,90 / R1,55 → R1,90 (+ 23%)	Advice: Assess the efficiency of workers/Offer incentives/Time and motion studies/Restrict overtime/Train workers be more efficient/Improve supervision
OR	OR
Selling & distribution cost now R1,15 R0,70 → R1,15 (+ 64%)	<b>Possible cause of the problem:</b> Salespersons not efficient/Transport costs increased/Bad debts/Theft of fuel/Increase in fuel prices
Do not accept Administration cost	Advice: Offer commission on sales/Look for cheaper forms of transport/Training/ P trips better
TWO unit costs for pies (Quote figures.)	Problem and advice Both must be specific, not general FC & VC
Direct material cost now R5.05 / R2,20 $\rightarrow$ R5,05 (+ 130%)	Must cover DMC Possible cause of the problem: Lack of expertise of workers/Poor qua raw materials/Increased raw materials cost/Theft of raw materials/Wastage
	Advice: Investigate causes of wastage/Look for cheaper supplier/Better quality of raw material/Better training/Improve secur
Factory overhead cost now R3,38 R2,50 → R3,38 (+ 35%)	Must cover FOHC Possible cause of the problem: Low production increased fixed cost p unit/Increase in certain costs, e.g. rent
Do not accept Administration cost	Advice: Increase units produced to reduce unit cost/Advertise the product better/Diver the range/Economise on expenses, e. rent/water/ electricity



6.2.3 Name the product which has been negatively affected by the new competitor.

Pies √

## Comment on how this would have affected the net profit on this product.

- ✓ Sales & production decreased (44 000 → 35 000 units) / Ben has had to limit his price (to R12,50) / Reduction in price led to decrease in contribution (R6,15 → R4,20)
- ✓ Production is less than BEP
- $\checkmark$  This means that a loss will be made on the pies.

TOTAL MARKS
55

**TOTAL: 300**