



NATIONAL SENIOR CERTIFICATE EXAMINATION
NOVEMBER 2011

ACCOUNTING: PAPER I
MARKING GUIDELINES

Time: 2 hours

200 marks

These marking guidelines were used as the basis for the official IEB marking session. They were prepared for use by examiners and sub-examiners, all of whom were required to attend a rigorous standardisation meeting to ensure that the guidelines were consistently and fairly interpreted and applied in the marking of candidates' scripts.

At standardisation meetings, decisions are taken regarding the allocation of marks in the interests of fairness to all candidates in the context of an entirely summative assessment.

The IEB will not enter into any discussions or correspondence about any marking guidelines. It is acknowledged that there may be different views about some matters of emphasis or detail in the guidelines, and different interpretations of the application thereof. Hence, the specific mark allocations have been omitted.

QUESTION 1 ASSET MANAGEMENT

Refer to the Information Booklet for information relating to Prontoprint.

Required:

- Analyse the ledger accounts and the fixed asset registers in order to fill in the missing details labelled [A] – [H]. Show calculations where necessary.

A	R220 000
B	CJ or GJ
C	R370 000
D	<p>Or 198 000 – 396 000</p> $[220\ 000 - 61\ 600]$ $= \underbrace{R158\ 400}_{31680} \times 20\% \times \frac{9}{12} = R23\ 760$ <p style="text-align: right;">264 000</p> <p style="text-align: right;">Must show months to get method marks</p>
E	Asset Disposal
F	R61 600 + R23 760 () = R85 360
G	$[370\ 000 \times 20\% \times \frac{3}{12}] = R18\ 500$ $R20\ 800 + R18\ 500 = R39\ 300$ <p style="text-align: right;">Second method is only awarded if either R20 800 or R18 500 is present</p>
H	<p>From A From F</p> $[R220\ 000 - R85\ 360] () - R136\ 640$ $= R2\ 000$

(15)

15 marks

QUESTION 2 COMPANY FINANCIAL STATEMENTS

2.1

Glamorous LTD
Income Statement for the year ended 28th February 2011

	R
Sales	700 500
Less: Cost of Sales	(358 000)
Gross Profit for the year	342 500
Add: Other Incomes	95 100 ()
Commission Income (6 150 – 1 050)	5 100
* Rent Income	90 000
Gross Income for the year	437 600
Less: Operating Expenses	(227 450) ()
Stationery (1 860 + 90 – 200) only if answer is	= 1 750
Discount Allowed (940 – 50)	890
Insurance (21 250 – 4 650 () <small>Any mark except R18 600 OR R3 000 or R4 000.</small>)	16 600
Bank Charges (2 150 + 260)	2 410
Sundry expenses	2 000 () ←
*Loss due to theft of money	1 000
*Provision for bad debts adjustment	600
*Director's Fees (90 000 + 30 000) + 80 000) <small>120 000</small> Various descriptions accepted	200 000
*Stock written down	1 400 ←
*Trading stock deficit	800
Operating Profit for the year	210 150
Interest Income (1 780 + 130)	1 910
Profit before Interest Expense/Finance Costs	212 060 () ↓
Interest Expense	(27 580) ()
Profit before Taxation	184 480 () ↑
Taxation for the year	(72 400) ←
Net Profit for the year	112 080

Insurance Income R3 000
Insurance exp. R4 000

Could be included in
Sunday exp.

EVEN IF NOT IN () =
DIF BETWEEN GI
AND OPERATING
PROFIT

MISSING
AMOUNT

ACCEPT
(3 400 – 2 000) IN
CALCULATION

NO MARKS IF
NOT IN ()

(34)

2.2

Glamorous Ltd
Balance Sheet as at 28th February 2011

ASSETS		
Tangible Assets		1 015 250
Current Assets		101 370 ()
* <i>Inventory</i>	$\begin{matrix} -3\ 400 \checkmark \\ \text{OR} \\ 1\ 400 \end{matrix}$	34 700 ()
(36 700 + 200)	$\begin{matrix} \text{OR} \\ (+\ 110 +\ 90) \end{matrix}$	OR
		34 500
* <i>Trade and Other Receivables</i>		47 650 ()
(37 800 - [2 000 + 600] + 1 700 + 3 000 + 4 650		OR
+ [75 500 - 72 400] 3 100) OR + 200		47 850
* <i>Cash and Cash Equivalents</i>		19 020 ()
(24 290 + 600 - 260 + 130 - 1 650 - 4 000 - 90)		
TOTAL ASSETS		1 116 620
EQUITY AND LIABILITIES		
Capital and Reserves/Shareholder's Equity		900 790
* <i>Share Capital</i>		800 000
* <i>Share Premium</i>		20 000
Retained Income/Accumulated Profit		80 790
Non-Current Liabilities		125 000 ()
Loan: Africor Bank (160 000 - 35 000)		125 000
Current Liabilities		90 830
* <i>Trade and Other Payables</i>		90 830 ()
(8 780 + 1 050 + [120 000 - 90 000] 30 000 + 16 000 + 35 000		
)	No marks for 120 000 or 90 000 individually	
TOTAL EQUITY AND LIABILITIES		1 116 620

} SAME AMOUNT

Symbol (+ or -) must be correct to earn a mark

(37)

2.3

To provide the shareholders of a company with the assurance that the financial information supplied can be relied upon to make decisions. They also may asses the internal control systems that the company has in place and identify any fraud that may have taken place.

- Requirement of companies act
- Fair presentation
- Fraud detection is a secondary role, but he has a responsibility to report any fraud if he comes across it in the course of his audit.

(4)

Explanation of role =
Why necessary =
Read the entire answer & then allocate marks.

75 marks

QUESTION 3 CASH FLOW STATEMENTS

NB: However if contrar accounts are not correct
Eg.: Depreciation – no marks for figure
Marking figures only

3.1

APPROPRIATION ACCOUNT

2011 Jun 30	Income Tax	40 600	2011 Jun 30	Profit and Loss	76 000
	Dividends on O/Shares	24 000 ()		Retained Income	26 400
	Retained Income	37 800			
		<u>102 400</u>			<u>102 400</u>

If ordinary share dividends is R16 000 (no mark)

The balancing figure for ordinary share dividends must be under R30 000

(5)

3.2 **Reconciliation between profit before taxation and cash generated from operations**

Profit before taxation (35 400 + 40 600)	76 000
Adjustment in respect of:	42 400
Depreciation must be positive to qualify for marks	24 000
Interest expense	18 400
Operating profit before changes in working capital	118 400 ()
Changes in working capital	(200) ()
Increase/Decrease in inventory	(16 200)
Increase/Decrease in debtors (1 mark for amount) 1 mark for no bracket)	10 400 Any amount
Increase/Decrease in creditors	5 600
Cash generated from operations	<u>118 200</u>

Must be positive no brackets

(12)

3.3

	Cash Flows from Operating Activities	34 500 ()	→ Only allocate this mark if he has subtracted all the 'paid'.
	Cash generated from operations	118 200 ()	
	Interest paid (1 100 + 18 400 + 500)	(20 000)	
	Dividends paid (9 000 + 24 000 – 8 000)	(25 000)	→ Eg: (16 000) marks 16 000 mark
	Taxation paid	(38 700)	
	Cash Flows from Investing Activities	(42 100)	
	Cash Flows from Financing Activities	(7 500) ()	
300 000 – 187 500 = 112 500	← Proceeds from Share Issue (75 000 [200 000 – 125 000] × R1,70)	127 500	
	Proceeds of Long-term loan	100 000	
380 000 – 245 000 = 135 000	← Repayment of Long – term loan received ([380 000 + 100 000] – 245 000)	(235 000) ()	→ Give method mark for bracket eg (135 000)
	Net Change in Cash and Cash Equivalents	(15 100)	
	Cash and Cash Equivalents 1st July 2010	(39 400)	
	Cash and Cash Equivalents 30th June 2011	<u>(54 500) ()</u>	

*Proceeds from shares issued: 112 500 or R1.70 (give one mark only)

(19)

3.4

- The fact that as at the 30th June 2011 Tronix Ltd is still in overdraft and that overdraft has increased from R39 400 to R54 500.
- Loan Repayment of R235 000 when in overdraft already.
- Low cash flow from operations.
- They could have raised a higher premium on shares issued.

(4)

* Must fact and figure.

* Give marks if pupil is engaging with question.

* Refer to pupils answer:

- Over-investing in assets/must say funds could be used elsewhere
- Interest is high because of additional loan.
- Debtors/creditors (refer to the pupils answer)
- Dividends – cash outflow.

40 marks

QUESTION 4 CASH BUDGET

4.1

CREDIT SALES		RECEIPTS FROM DEBTORS	
MONTH	AMOUNT	NOVEMBER	DECEMBER
September	R55 000		
October	R60 500	39 325	
November	R66 000	19 206	42 900 ()
December	R88 000		25 608
		58 531	68 508

(7)

4.2

Cash Budget of Marlpet Distributors

	NOVEMBER	DECEMBER
CASH RECEIPTS		
Cash receipts form debtors	58 531 ()	68 508 ()
Rent Income only if have case sales	5 000 ()	5 000
Cash sales	54 000	72 000
Total Receipts	117 531	145 508
CASH PAYMENTS		
Cash purchase of trading stock	15 000	21 000 or 20 000
Fixed cash expenses	12 500 ()	12 500
Payments to creditors	50 000 ()	55 000 ()
Advertising	2 400 ()	3 200
Drawings		3 000
SARS – PAYE		3 100
Loan repayment		35 000
TOTAL PAYMENTS	79 900	132 800 OR 131 800
Cash surplus/deficit	37 631	12 708 OR 13 708
Opening Bank balance	(38 131)	(500)
Closing Bank balance	(500)	12 208 () OR (13 208)

(23)

4.3

The projected bad debts written off from December 2011 sales.	$R88\ 000 \times 5\%$ $= 4\ 400$
The projected discount allowed granted in December 2011.	$R88\ 000 \times 30\%$ $= (R26\ 400 - 25\ 608)$ $= 792\ ()$
The debtors control balance as at 31 st December 2011. Must use Nov. and Dec.	$5\% \times R66\ 000 = 3\ 300\ ()$ $70\% \times R88\ 000 = 61\ 600$ OR $30\% = R26\ 400$ Balance R64 900 ()

(8)

4.4

<p>Any two of the following answers:</p> <ul style="list-style-type: none"> • Debtors are not keeping to credit terms of 60 days. Only 51% are paying within 60 days. Or 49% are not paying within 60 days. • Almost 9% of debtors are not paying at all and are written off – they should be making more of an effort to get this money back, compared to the 5% target. • Must quote figures/ percentages and compare • Expectations versus actual; per month • Bad debts <p>Any other acceptable answer.</p>
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(6)

4.5

<ul style="list-style-type: none"> • Send out reminders either by post, sms or phone to debtors over 60 days. • Do better credit checks on new debtors. • Do not allow debtors to buy more stock on credit if they are over 60 days overdue. • Interest & discount • Adjust credit limits • Any other acceptable answer.
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(2)

4.6

<p>1 mark for giving a tick to either points 2, 3 or 5. 1 mark for giving a cross for either 1 or 4. 1 mark for showing in their explanation that they understand whether the action was ethical or not. 1 mark for understanding that the clerk's actions were not made to intentionally defraud the company but through ignorance of the danger of giving out confidential information. Ignore reasons if choices incorrect. Reason must be linked to appropriate choice.</p>
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(4)

50 marks

QUESTION 5 VALUE ADDED TAX

5.1

Transaction number	Amount owing to SARS
5.1.1	5 560
	- 3 210
5.1.2	+ 456
5.1.3	- 1 498
5.1.4	+ 78
5.1.5	+ 42
5.1.6	+ 4 704
5.1.7	+ 21
5.1.8	- 90
5.1.9	+ 4 760
	10 823 ()

- Brackets = negative
No brackets = positive
- Where only 1 mark is awarded: both the sign & amount need to be correct
- Where 2 marks awarded:
1 mark for sign
1 mark for amount except for 5.1.9

← Amount + sign must be correct for 2 marks. If sign is "+" and amount is R5 180 then 1 mark. If amount is correct but negative then 1 mark (15)

5.2 **ACCOUNT DEBIT:** Creditors' Control _____

ACCOUNT CREDIT: Input VAT _____ (2)

5.3

- Asset belongs to the business therefore should be for business use.
- Business has carried the cost of the vehicle, VAT and insurance and is getting no benefit from the asset.
- Unethical for A. Mbali to let her son use the vehicle.
- Business entity concept applicable.
- If the poor cash flow position of the business is mentioned.
- The business has already been closed down and should not have purchased the vehicle.

(3)

20 marks

Total: 200 marks