



NATIONAL SENIOR CERTIFICATE EXAMINATION
SUPPLEMENTARY 2014

ACCOUNTING: PAPER II
MARKING GUIDELINES

Time: 2 hours

100 marks

These marking guidelines are prepared for use by examiners and sub-examiners, all of whom are required to attend a standardisation meeting to ensure that the guidelines are consistently interpreted and applied in the marking of candidates' scripts.

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. It is also recognised that, without the benefit of attendance at a standardisation meeting, there may be different interpretations of the application of the marking guidelines.

QUESTION 1 ANALYSIS OF PUBLISHED FINANCIAL STATEMENTS
(50 marks, 60 minutes)

- 1.1 1.1.1 It assures them that they can trust the information in the financial statements and to see if there are any areas the auditors qualified as a problem. (2)
- 1.1.2 The rent agreement / cheques paid to lessee. (1)
- 1.1.3 Issue a qualified audit report. (2)
- 1.1.4 The Board of Directors. (1)

1.2

A	R 10 426 m
B	R 1 083 m
C	Current liabilities
D	R 985m inflow/ outflow
E	R 2 315 m

(5)

- 1.3 2012: $9\,022 / 15\,642 = 57,68\%$.
 2011: $8\,384 / 14\,332 = 58,5\%$.
 2010: $8\,040 / 13\,848 = 58,06\%$. (*Calculation marks for any year*).
 Yes – 58% mark-up has been achieved each year (*based on comparison of any two years*) (5)

- 1.4 1.4.1 A loss was made /Not enough earnings (1)
- 1.4.2 High financing costs (1)
- 1.4.3 It is continually decreasing. (1)
- 1.4.4 Yes. It is not sustainable /Investment may be lost if equity continues to decrease./Edcon will go bankrupt if trend continues./Share price will drop. (2)

- 1.5 1.5.1 $25\,137 : 3\,527 = 7,13 : 1$ (2)
- 1.5.2 Reason for: Edcon is a well known company
 Reason against: Edcon is too highly geared /Too risky/Edcon may soon be insolvent if trend continues.
 Continual losses are being made /they would be unlikely to be able to repay the loan. (4)

- 1.6 1.6.1 $\frac{1}{2}(3\,170 + 2\,626) = 2\,898 / 15\,642 \times 365 = 67,62/68$ days (5)
- 1.6.2 Yes. Most stores stock non-perishable items such as clothing and stationery, which will not go off in 2 months /This is a common stock period for retail stores of this nature./Clothing is related to seasons, so less than 3 months or 4 times p.a. is fine./Truworths, a similar retailer, has a comparable stock period of 55 days./Because of competitive nature of business → maybe improve this. (2)

- 1.7 1.7.1 $865 / 10\,867 = 8\%$ or 7,98% (3)
- 1.7.2 Poor economic climate means people are less likely to pay
 Edcon's stores offer a lot of credit/Credit is granted easily by Edcon stores, etc. (4)
- 1.7.3 Accrued income /Prepaid expenses/Insurance claim/Debtors for salaries, water and electricity deposit, VAT receivable, etc. (1)

- 1.8 Increase in stock/inventory
Increase debtors/receivables
Decrease in creditors/payables (4)
- 1.9 1.9.1 Debit: Loyalty programme **expense** /sales **income**
Credit: Deferred revenue **liability** /Thank U Loyalty programme **liability** (2)
- 1.9.2 Customers could buy goods to earn loyalty points and then return the goods.
Control: The sales document must record loyalty points earned. When goods are returned, the loyalty points must be reversed. (2)

50 marks

QUESTION 2 BUDGETING

(30 marks, 36 minutes)

2.1

Receipts	312 705
Debtors' collections	275 580
Cash Sales (371 250 – 334 125)	37 125
Payments	(512 705)
Rent expense	20 000
Salaries and wages	175 000
Sundry expenses (Alt 83255)	86 855
Cash purchases of stock (371 250 × 100/150 × 30%)	74 250
Payments to Creditors (315 000 × 100/150 × 70%)	147 000
Internet costs	600
Computer (12 600 – 3 600) (Alt show 3 600 under receipts)	9 000
Cash surplus/shortfall	(200 000)
Cash balance on 1 October 2013	120 000
Cash balance on 31 October 2013	(80 000)

(9)

2.2 $\frac{371250 - 334125}{371250} \times 100 = 10\%$

(2)

2.3 2.3.1 $57\ 600 / 288\ 000 \times 100 = 20\%$ OR $66\ 825 / 334\ 125 = 20\%$

(2)

2.3.2 80% of 334 125 = R267 300 They will only pay back R253 935 which is 95% of R267 300. They anticipate that will be given 5% discount for paying early.

OR $334\ 125 - 253\ 935 = 80\ 190$

$80\ 190 / (253\ 935 + 80\ 190) = 24\%$

(3)

2.4 2.4.1

	Credit Limit	61 – 90 days (July)	31– 60 days (August)	0 – 30 days (September)	Total
Truewomans	R80 000	53 000 -53 000	66 000 - 7 000 =59 000	72 000	131 000
Forshe's	R60 000	22 000	73 200	65 000	160 200
Elegants	R20 000		2 400 -2 400	16 000 - 2 500	13 500
Ourladies	R40 000			32 700	32 700
The Designers	R10 000		1 800	3 000 + 2 500 =5 500	7 300
Totals	210 000	22 000	134 000	188 700	344 700

(6)

2.4.2

	Description of problem	Proof (mention debtor)
Problem 1	Not paying within 30 days credit terms allowed	Truewomans owes R59 000 over 31 days Forche’s owes R22 000 over 61 days and R73 200 over 31 days
Problem 2	Debtor going over credit limit	Forshe’s owed R73 000 in August and R65 000 in Sept limit R60 000 / owes R160 200 in total

(4)

2.4.3 Because the value of rand is unstable they should keep stock the same or even more stock in case the rand devalues even more

They are only buying as they sell so they do not need excess stock as it is affecting their cash flow/liquidity having money tied up in stock

They might be given discount for buying in bulk so should buy more than needed as long as the stock is still seasonal.

Because stock has to be transported from overseas they need to have extra stock on hand in case of transport delays

They mark-up stock by a consistent % so the extra cost of importing will be passed onto the customer so it won’t affect the profit margin but might affect sales as customers will no longer be able to afford them.

Wide variety of stock attracts customers who like choice. Risks of carrying high stock levels e.g. theft, obsolescence, etc.

(2)

2.4.4 Because Koala Clothing benefit hugely by selling in large retailers like Truwomans and Froshe’s they need to allow them better credit terms.

Elegants are good debtors but they are being limited to R20 000 credit – this could be increased to encourage them to buy more.

New and smaller debtors, like The Designers, should have stricter credit terms and smaller credit limits until they prove themselves.

(2)

30 marks

QUESTION 3 RECONCILIATIONS

(20 marks, 24 minutes)

3.1

	Debit	Credit
Cr Balance as per Bank Statement		R18 305
Cr Outstanding deposits (23/12/2013)		R9 500
(22/01/2014)		R6 830
(29/01/2014)		R7 500
Dr Outstanding cheques or EFT payments		
no 756 dated 22 February 2014	R2 750	
EFT dated 31 January 2014	R17 500	
Dr Balance as per Bank Account	R21 885	
12 900 + 45 330 – 39 550 + 100 – 320 – 25 + 3 450		
	42 135	42 135

(One column format also acceptable, but positive and negative amounts must then be shown.) (6)

3.2 3.2.1 She is delaying making the deposits – probably rolling the money. The last two amounts of money received at end of January still have not yet been deposited. / R5 300 deposit was received on 5th and only banked on 22nd / Deposits are shown as deposited in CRJ in bank column when they have not yet been banked. Although she gave R9 500 to the owner on 31 January, this may have come from the receipts on 22 and 29 January which have not yet been cashed. (4)

3.2.2 She may be criminally prosecuted if they can prove she had no intention of banking the R9 500.

A written warning should be given for not making the deposits more regularly, possibly leading to dismissal if she does it again or Disciplinary hearing to hear why she is taking so long to deposit money. (2)

3.2.3 Have a bank deposit book where deposit slips are numbered in order to ensure that each deposit is accounted for.
Deposit slips need to be checked by the manager / owner / accountant weekly.
Divide duties between different people – Peters should not be responsible for recording transactions and depositing cash. (6)

3.3 Cheque 756 is post-dated. In order to reflect the assets (Bank) and Liabilities (Creditors) correctly in the Financial Statements. The amounts must be added because the cheque cannot be cashed so bank is R2 750 more than indicated in ledger and the creditors are owed R2 750 more as they haven't actually been paid. (2)

20 marks

Total: 100 marks