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GRADE 12

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ACCOUNTING MARKING GUIDELINE

GENERAL RULES:

1. Award full marks for the correct final answers. If the answer is incorrect, mark the workings provided. If a workings figure/amount is shown as a final answer, allocate the working mark.
2. "Method" marks are denoted by ☒
 - In calculations and final totals, at least one part of the workings must be correct to earn the mark.
 - In cases where answers of previous questions must be used, check the transfer.
 - Ignore brackets on statements, but check the operation before awarding marks.
3. Where penalties are applied, the marks for that section cannot be a negative. (foreign items)
4. For questions requiring explanations and comments, award part-marks. A good explanation will normally mention and explain a point. Beware of alternative wording reflecting the same points. This marking guideline provides some explanations – they are not conclusive. Read the candidates' responses and give credit for their interpretations.
5. Where appropriate/acceptable, accept recognisable abbreviations.
6. This marking guideline is not conclusive. Educators are still expected to work through the entire paper and make reasonable adjustments within the framework of the mark allocation. Also read the learners' responses to the interpretative questions, and give credit for valid explanations (taking into account language difficulties.)

This marking guideline consists of 15 pages.

QUESTION 1

LO1(AS4); LO3(AS6)

Reconciliations

(40 marks ; 24 minutes)

1.1 Bank Reconciliation

1.1.1 Is the balance according to the bank statement favourable or unfavourable? Explain.*Any valid explanation ✓✓*

Favourable ✓

Credit balance as per statement/bank credits our account with increases.

3

1.1.2 Cheque No. 784 should not appear on the reconciliation statement. Explain why.*Any similar explanation ✓✓*

More than 6 months old/stale cheque/no longer valid/will not be cashed by the bank.

2

1.1.3 Cheque No. 1024 was issued to a creditor, in part payment of account. Explain how this cheque should be dealt with when the financial statements are being prepared at the end of this financial year.*A valid explanation ✓✓*

- Bank will be debited (increase asset) ✓ and Creditors will be credited (increase liability) ✓
- At the end of the financial year the account remains unpaid. (it is a post-dated cheque)
- Only valid after the 7 May 2013. Therefore it must be reversed to reflect the true financial position of the business.

4

1.1.4 Provide a suitable (appropriate) reason for the R880 that appears on the reconciliation statement.*Any valid explanation ✓✓*

- Bank error/debited business account with cheque of another business or the owner/duplicated charges/debit order.

2

1.1.5 The large outstanding deposit was investigated. It was established that R5 000 of that amount was income from sales received on 2 April 2013. The cashier responsible for deposits at that time has subsequently resigned. Management has accepted that this money will not be recovered.**(a) What accounting entry/entries must be made to adjust the records?**

Dr Loss due to theft ✓✓ and Cr Bank (decrease the bank balance) ✓✓

4

(b) Name and explain the GAAP principle applicable to the adjustment above.

Prudence ✓✓

A valid response ✓✓

- Regard this transaction in a pessimistic way. No certainty that the money will be recovered.
- A conservative approach in reporting profits. Must take into account losses when detected.

4

(c) Provide TWO suggestions that the business can employ (use) to prevent a recurrence of what happened. (Internal controls).

Two valid responses ✓✓ ✓✓

- Regular supervision/control deposits (documentation)/rotation of duties, etc.
- Division of duties/reminders from banks (SMSs)
- Use senior managers to do deposits/monitor or investigate promptly
- Disciplinary action taken against defaulters – deterrent to other employees

4

1.2.1 Explain the usefulness of Debtors' Age analysis to a business.

Any valid explanation ✓✓✓ (part marks for incomplete answers)

- It is an important part of internal control – identifies debtors not complying with credit terms – assists in determining where/how to take disciplinary action.

(part marks for incomplete answers)

3

1.2.2 Calculate the Debtors Control balance.

5 560 ✓✓ (no marks for individual amounts)

2

1.2.3 If Z. Nomhle decides to settle her account immediately, how much would she be expected to pay? (Show calculations)

$$740 - 5\% = 703 + 170 = 873$$

✓✓ ✓ ☒ (1 part correct to score method mark)

4

1.2.4 If T. Naicker pays R500 at the end of this month, how would her age analysis change in the following month? (Complete the table provided)

DEBTOR	+90 DAYS	61 – 90 DAYS	30 – 60 DAYS	CURRENT
T. Naicker		220	820	1 230
Age analysis for next month	0 or - ✓	540 ✓✓	1 230 ✓	-

4

1.2.5 Explain TWO measures a business can introduce to improve the collection of money from debtors.

TWO valid responses ✓✓ ✓✓

- Offer discounts for early payment
- Charge interest on overdue accounts
- Screen debtors (check credit references)
- Constant reminders and phone calls/SMS

4

QUESTION 1 TOTAL:

40

QUESTION 2

LO3(AS4)

Inventory Systems

(30 marks ; 18 minutes)

2.1 2.1.1 Calculate purchases of cameras during the year.

$$\begin{aligned}
 60 \times 42 \times 10,80 &= 27\,216 \quad \checkmark \\
 110 \times 44 \times 10,90 &= 52\,756 \quad \checkmark \\
 70 \times 47 \times 11,10 &= 36\,519 \quad \checkmark \\
 40 \times 43 \times 11,05 &= 19\,006 \quad \checkmark
 \end{aligned}$$

Total Purchases = 135 497 ☒

5

2.1.2 Calculate the cost of sales (using the weighted average method).

$$\begin{aligned}
 &\checkmark \quad \checkmark \quad (2.1.1) \text{ above} \quad \checkmark \\
 &\frac{35\,200 + 135\,497 + 13\,550}{(80 + 280)} \times 292 \quad \checkmark \\
 &\quad \quad \quad 360 \\
 &= 149\,445 \quad \checkmark \quad (1 \text{ part correct to score method mark})
 \end{aligned}$$

Or : $512 \times 292 = 149\,504$ (if rounded off weighted average)

OR

$$\begin{aligned}
 &35\,200 + 135\,497 + 13\,550 \\
 &184\,247 / 360 = 511,7 \text{ OR } 512 \\
 &\quad \quad \quad 21\,491 \\
 &512 \times 42 = 21\,504 \text{ (closing stock)}
 \end{aligned}$$

$$\begin{aligned}
 &184\,247 - 21\,504 = 162\,743 \\
 &184\,247 - 21\,491 = 162\,756
 \end{aligned}$$

6

2.2 Calculate the Gross Profit on sale of cameras.

$$\begin{aligned}
 &\checkmark \quad \checkmark \quad (\text{Question 2.1.2}) \quad \checkmark \quad (1 \text{ part correct to score method mark}) \\
 &219\,000 - 149\,445 \text{ or } 149\,504 = 69\,555 \text{ or } 69\,496
 \end{aligned}$$

3

2.3 Calculate the number of cameras missing.

$$\begin{aligned}
 &^{(360)} \\
 &(80 + 280) - 42 = 318 - 292(\text{sold}) = 26 \\
 &\checkmark \quad \checkmark \quad \checkmark \quad \checkmark \quad \checkmark \quad (1 \text{ part correct to score method mark})
 \end{aligned}$$

$$\begin{aligned}
 &\text{or } (80 + 280) - 292 - 42 = 26 \\
 &\quad \quad \quad 2 \text{ marks for } - 42 \text{ if this option used}
 \end{aligned}$$

6

2.4 Suggest TWO measures that the business can use in order to prevent or detect the loss of stock.Two valid points ☒ ☒ ☒

- Proper control of stock (documentation, ordering, etc.)
- Division of duties/rotation of duties (with regards to ordering, receiving stock)
- Security checks/cameras/tracking device

4

2.5 The owner is satisfied with using the weighted average method to value his stock. You, however, disagree.**2.5.1 Name another method that he could use.**First in First out (FIFO) ☒ ☒

2

2.5.2 Provide TWO points to support your answer.Two separate and valid points ☒ ☒ ☒

- High value goods/sold in individual units
- Price may vary significantly from each purchase (FIFO shows stock at the most recent prices)
- Easy to detect stock losses and/or shortages

4

QUESTION 2 TOTAL:

30

QUESTION 3

LO2(AS2); LO3(AS3;AS6)

Manufacturing Accounts and Asset Management**(55 marks ; 33 minutes)****3.1 Calculate the factory overhead cost. (Manufacturing overheads)**

Indirect labour	37 300
Consumable stores	19 740 ✓
Rent expense $73\,500 \times \frac{4}{7}$ or $(\frac{24}{42})$	42 000 ✓✓
Water and electricity $67\,000 \times 75\%$	50 250 ✓✓
Insurance $12\,600 \times \frac{3}{4}$	9 450 ✓✓
Sundry factory expenses	36 260
TOTAL FACTORY OVERHEAD COST	195 000 ✓

No marks for workings. -1 for foreign items introduced (max -2)

8

**3.2 MAJOLA SUPPLIERS
PRODUCTION COST STATEMENT FOR THE YEAR ENDED 30 JUNE 2013**

Direct Material Cost (42 000 ✓ + 436 000 ✓ + 24 000 ✓ – 38 875 ✓)	463 125 ✓
Direct Labour Cost <i>Balancing figure</i>	316 875 ✓
PRIME COST (24 x 32 500)	780 000 ✓✓
Factory overhead costs <i>check 3.1</i>	195 000 ✓
TOTAL MANUFACTURING COST/ COST OF PRODUCTION <i>inspection</i>	975 000 ✓

10

3.3**3.3.1 Calculate the direct material cost per unit**

Check QUESTION 3.2
 $463\,125 \div 32\,500 = R14,25$
 ✓ ✓ ✓

3

3.3.2 Calculate the production cost per unit

Check QUESTION 3.2
 $975\,000 \div 32\,500 = R30$
 ✓ ✓ ✓

3

3.3.3 Calculate the number of units manufactured and sold to break even.

Check QUESTION 3.2
 $\frac{195\,000 + 110\,500}{R45 - R30} = 20\,366$ or 20367 ✓
 ✓ ✓ ✓

5

3.4 Refer to the Unit Cost table provided.**3.4.1 Give a possible reason for the change in the direct material cost per unit.***One valid point ✓✓**Explanation must consider QUESTION 3.3.1 above.*

- Inflation/scarcity
- Increase is more than the inflation rate therefore could be wastage
- Additional transport costs/price of petrol/storage, etc.
- Poor management and control of stock

2

3.4.2 Suggest TWO measures that the business can use to keep these costs as low as possible.*Two valid and separate points ✓✓ ✓✓*

- Look at using good quality substitutes
- Consider alternative cheaper suppliers/offering other after-sales services/bulk discounts
- Explore local suppliers (save on transport costs)
- Train workers to make effective use of materials (reduce wastage)

Any other valid explanation (award part-marks for incomplete answers)

4

3.5**GENERAL LEDGER OF MAJOLA SUPPLIERS****3.5.1****EQUIPMENT (B5)**

2012 Jul	1	Balance	b/d	172 000	2013 Jan	1	Asset Disposal ✓		22 500 ✓
2013 Jan	1	Creditors Control ✓	CJ	24 500 ✓			Balance	c/d	174 000
				196 500					196 500
2013 Jul	1	Balance	b/d	174 000					

4

3.5.2**ASSET DISPOSAL (N12)**

2013 Jan	1	Equipment		22 500 ✓	2013 Jan	1	Accumulated depreciation on equipment (8 100 ✓ + 1 440 ✓✓)		9 540 ☑
							Bank ✓		6 000 ✓
							Loss on sale of asset ✓		6 960 ☑
				22 500					22 500

9

3.6 Calculate the Depreciation on Vehicles amount that would appear in the Income Statement.**Vehicle:**

$$133\,499 - 99\,150 = 34\,749 \checkmark \checkmark$$

2

3.7 You feel that the big loss on disposal of the computers is due to the depreciation policy. Explain.

Any valid explanation ✓✓✓

- 20% on diminishing balance method generally extends the useful life of assets.
- Computers (technological assets) lose value at a quicker rate due to modern advancements in technology.
- It would become difficult to dispose of such equipment as they may become out-dated or obsolete. Their depreciation should accommodate a shorter lifespan.

(award part marks for incomplete/partial answers)

3

3.8 Explain why delivery vehicle no. 2 is shown at a carrying value of R1.

Any valid explanation ✓✓

- Completely written off/fully depreciated/carrying value reached or equal to 0.
- Given a R1 value for record purposes.

2

QUESTION 3 TOTAL:

55

QUESTION 4

LO1(AS5); LO3(AS5;AS6)

Companies: Financial Statements and Interpretation

(85 marks ; 51 minutes)

A Financial Statements and Interpretation

4.1.1 Briefly explain the GAAP principle that relates to doing adjustments at the end of the financial year.

Matching concept ✓

Any valid response. ✓

- Income and expenses are recognised and recorded in the period in which they apply.
- Expenses must be matched against the income earned in a specific financial year.

2

4.1.2 INCOME STATEMENT FOR THE YEAR ENDED 28 FEBRUARY 2013

GROSS PROFIT		314 000	
Other Income		57 250	
Rent Income (51 300 ✓ + 4 860 ✓)		56 160 ☒	③
Profit on sale of asset		470	
Bad Debts Recovered		400 ✓	
Provision for Bad Debt Adjustment (1 075 – 855 ✓✓)		220 ☒	③
GROSS INCOME		371 250	
Operating Expenses		(305 875)	
Salaries		83 200	
Discount Allowed		1 450	
Audit fees		5 500	
Directors' fees		142 000	
Stationery		7 220	
Sundry Expenses		18 400	
Consumable Stores (7 330 ✓ – 1 130 ✓)		6 200 ☒	③
Insurance (6 400 ✓ – 3 200 ✓) or 6 400/2		3 200 ☒	③
Bad Debts		830 ✓	
Depreciation (28 000 + 6 375) given		34 375 ✓	
Trading Stock deficit (32 800 – 29 300)		3 500 ✓✓	
OPERATING PROFIT		65 375	
Interest Income (4 125 ✓ + 1 375 ✓) or $4\,125 \times \frac{4}{3}$		5 500 ☒	③
NET PROFIT BEFORE INTEREST EXPENSE		70 875	
Interest Expense $(135\,000 \times \frac{12.5}{112.5})$		(15 000) ✓✓	
NET PROFIT BEFORE INCOME TAX		55 875	
Income Tax		(22 475)	
NET PROFIT FOR THE YEAR		33 400 ☒	

23

-1 each for foreign entries (balance sheet accounts) max -2
 Misplaced items must be marked wrong.

4.2: MEERA TRADERS LTD
BALANCE SHEET AS AT 28 FEBRUARY 2013

	NOTES		
ASSETS			
NON-CURRENT ASSETS		750 380	
Tangible Assets		700 380	
Financial Assets: Fixed Deposit		50 000	
CURRENT ASSETS		59 610	✓
Inventories (29 300 ✓ + 1 130 ✓)		30 430	✓ (3)
Trade and other receivables Check transfer		25 680	✓
Cash and cash equivalents (2 500 + 1 000)		3 500	
TOTAL ASSETS	(5)	809 990	
EQUITY AND LIABILITIES			
SHAREHOLDERS EQUITY		631 455	
Ordinary share capital		550 000	
Share premium		35 555	
Retained income 34 500 ✓ + 33 400 ✓ – (13 200 + 8 800) ✓		45 900	✓ ④
NON-CURRENT LIABILITIES		117 000	
Loan: Sandy Bank (135 000 ✓ – 18 000 ✓)		117 000	Or 2 marks
CURRENT LIABILITIES	inspect	61 535	✓
Trade and other payables (Creditors) <i>Accept various combinations for Trade and other payables</i>		22 360	✓
SARS: (Income Tax) (22 475 – 20 000)		2 475	✓✓
Shareholders for dividends		8 800	✓
Short term portion of loan		18 000	✓
Bank overdraft		9 900	✓
TOTAL EQUITIES AND LIABILITIES	(13)	809 990	

18

Note the general rules when awarding method marks.

-1 for foreign items (max -3) Balance Sheet accounts misplaced are not foreign. Award the marks (-1 for each misplaced item)

TRADE AND OTHER RECEIVABLES

Trade Debtors (17 530 ✓ – 830 ✓ + 400 ✓)	17 100	OR 3 MARKS
Provision for Bad Debts	(855) ✓	
Accrued Income (1 375 ✓ + 4 860 ✓)	6 235	OR 2 MARKS
Prepaid expenses	3 200 ✓	
	25 680	

7

4.3.1 (a) Calculate the CURRENT RATIO and the ACID TEST RATIO for 2013.

CURRENT RATIO	ACID TEST RATIO
Check amounts transferred from QUESTION 4.2 59 610 ☒ : 61 535 ☒	☒ ☒ ☒ (59 610 – 30 430) : 61 535 Check QUESTION 4.2 29 180 Or (25 680 + 3 500) 0,47 : 1 ☒
0,97 : 1 ☒ (3)	(4)

7

(b) Comment on the liquidity position of this business. Quote TWO financial indicators/figures to support your argument.

Must mention two of Current Ratio, Acid Test Ratio, Debtors Collection period and/or Creditors Payment period. ✓ ✓

-1 for any other ratios mentioned (if more than three ratios listed)

✓ ✓ for quoting figures

✓ ✓ for an explanation each

- Current ratio and the Acid Test ratio have decreased and are well below efficient levels.
- Debtors take too long to settle their accounts (30 days)
- Creditors are paid well within the normal 60 days allowed

6

4.3.2 Shareholders were not happy with the dividends they received.

- Calculate the dividend per share (DPS) and the earnings per share (EPS) for the current year.

DPS	EPS
22 000 $\frac{13\,200 \checkmark + 8\,800 \checkmark}{110\,000 \checkmark} \times 100$ = 20 cents ☒	☒ $\frac{33\,400}{110\,000 \checkmark} \times 100$ = 30 cents (30,3) ☒

7

- Use your findings above (as well as other financial indicators provided) to explain why the shareholders are unhappy.

Two valid explanation ✓ ✓ ✓ ✓

- The shareholders received a lower DPS than last year, although the EPS increased.
- The business chose to retain income rather than distribute dividends.
- Further, the ROSHE is much higher than interest on alternative investments (meaning that they should be pleased) yet the DPS is reduced.

4

4.4 The company intends issuing all unissued shares in the next financial year. One of the shareholders approached a director and requested that he be allowed to purchase the shares before they are offered to the public. Should he be allowed to do this? Explain.

Any valid explanation ✓✓

No. ✓

- It is unethical and against the Company's Act.
 - All shares must be advertised and the general public must have access to them. (Transparency).
 - The Shareholders become members of the public and must compete for the new shares in the market.
- (award part marks for incomplete/partial answers)*

3

B Auditing and Professional Bodies

4.5 Explain why it is important for the independent auditor to be a member of a professional body such as SAICA.

Any valid response ✓✓

- Assurance of knowledge of accounting and auditing principles/ensures uniformity or standardisation of treatment of financial information
- Continuous professional training/bound by a professional code of conduct/cannot be negligent in his duties

2

4.6 Give an example of the evidence that auditors would use in compiling an audit report.

Any valid response ✓✓

Any one of:

- asset register;
- stock register;
- record of debtors and creditors;
- journals and documents, etc.

2

4.7 What does "on a test basis" imply? Explain.

Any valid response ✓✓

- Auditors do random sampling (they do not check every document or procedure) they give an opinion based on the sample they tested.

2

4.8 Explain why the company should be satisfied with this audit report.

Any valid response ✓✓

- The report is unqualified. No material errors/problems detected/auditors are satisfied that fair presentation is noted/the statements are reliable.

2

QUESTION 4 TOTAL:

85

QUESTION 5

LO1(AS5)

Cash Flow and Interpretation

(45 marks ; 27 minutes)

5.1

GENERAL LEDGER OF HONEY DEW LTD

SARS: INCOME TAX (B9)

2013 Feb	28	Bank	CPJ	67 000	☒	2012 Mar	1	Balance	b/d	8 000	☒
						2013 Feb	28	Income Tax	GJ	54 000	☒
								Balance	c/d	5 000	☒
				67 000						67 000	
2013 Mar	1	Balance	b/d	5 000							

5

ORDINARY SHARE DIVIDENDS (N12)

2012 Aug	31	Bank	CPJ	20 000	☒	2013 Feb	28	Appropriation	GJ	65 000	☒
2013 Feb	28	Shareholders for Dividends	GJ	45 000	☒						
				65 000						65 000	

5

5.2

CASH GENERATED FROM OPERATIONS			
Net Profit ... Before Tax ✓			180 000 ✓
Adjustments for:			
Depreciation			88 500 ✓
Interest paid			23 100 ✓
			291 600
Cash effects of changes in working capital			(117 900)
Increase in inventories (290 000 – 200 000)	1 mark for the amount and 1 mark for the correct use of bracket	(90 000)	✓✓
Increase in debtors (192 500 – 160 000)		(32 500)	✓✓
Increase in creditors (77 000 – 72 400)		4 600	✓✓
CASH GENERATED FROM OPERATIONS operation			173 700 ☑

11

5.3: Extract of the Cash Flow Statement

CASH FLOW FROM FINANCING ACTIVITIES	operation	195 000 ☒
Proceeds from shares issued (200 000 ☒ + 55 000 ☒)		255 000 ☒
Repayment of non-current liabilities (loans) (120 000 – 180 000)		(60 000) ☒
Outflow and Inflow must be shown to score the marks		

6

5.4 Calculate the Net Asset Value (NAV) per share as at 28 February 2013. (NAV for 2012 : 275 cents)

$$\frac{\begin{array}{ccc} \checkmark & \checkmark & \checkmark \\ (600\,000 + 135\,000 + 131\,000) & & \text{or } 866\,000 \text{ for 3 marks} \\ 300\,000 \checkmark & & \end{array}}{300\,000 \checkmark} = 289 \text{ cents } \checkmark$$

5

5.5 New shares were issued at 255 cents per share. Comment briefly on the price of the newly issued shares.

Any valid response ✓✓ ✓✓

- Although shares sold at a premium of 55 cents still less than the NAV of 275 cents of 2012.
- The NAV has increased to 289 cents.
- Investors were given a good price – probably tried to encourage the sales of these shares and to instil investor confidence in the business.
- Also good to look at the market value

4

5.6 Is the company highly geared or lowly geared? Explain your answer by making use of an appropriate ratio/indicator.

Debt : Equity Ratio ✓
120 000 : 866 000
0,12 : 1 ✓

- Very lowly geared. Company is not making extensive use of borrowed capital (loans). Instead they issued more shares.
- Can consider making more effective use of loans (positive gearing)

✓✓ for an explanation.

5

5.7 Identify TWO possible ways in which the funds (raised through shares issued) were utilised.

Any 2 reasons ✓✓ ✓✓

- Loan was paid
- Increased inventories
- Bank overdraft paid

4

QUESTION 5 TOTAL:

45

QUESTION 6

LO2(AS3) ; LO3(AS6)

Budgeting

(45 marks ; 27 minutes)

6.1 Complete the following table by placing the correct amount in the correct column/s. *Note that amounts can go in more than one column.*

NO	INFORMATION	CASH BUDGET		PROJECTED INCOME STATEMENT	
		RECEIPT	PAYMENT	INCOME	EXPENSE
(a)	Cash sales are expected to be R7 400 per month at a 25% mark-up on cost.	7 400 ✓		7 400 ✓	5 920 ✓✓
(b)	An old computer with a carrying value of R4 400 will be sold for R2 500 cash in the next month.	2 500 ✓			1 900 ✓✓
(c)	Depreciation on equipment is estimated to be R950 per month.				950 ✓
(d)	An annual insurance premium of R5 200 was paid by cheque. R1 200 is for the next financial year.		5 200 ✓		4 000 ✓

10

6.2.1 Calculate the percentage of goods sold on credit.

OR

(15 500 + 46 500) = 62 000 [total sales for July]

If August sales is used

$$\frac{46\,500}{62\,000} \times 100 = 75\% \quad \checkmark$$

$$\frac{48\,000}{64\,000} \times 100 = 75\%$$

3

6.2.2 • Calculate the amounts represented by (a), (b) and (c) on the debtors collection schedule.

(a) $46\,500 \times 55\% \checkmark = 25\,575 \quad \checkmark$

(b) $48\,000 \times 30\% \checkmark = 14\,400 \quad \checkmark - 2\% = 14\,112 \quad \checkmark$

(c) (a) above (b) above
 $6\,120 + 25\,575 + 14\,112 = 45\,807 \quad \checkmark \checkmark$ (inspect)

7

• Is the business controlling credit effectively? Motivate your answer by quoting appropriate figures from the information.

No. ✓

✓ for figure ✓✓ for explanation

- Credit terms are 30 days. Only 30% of debtors are expected to pay. (Budgeted) maybe the 2% - discount is not a good enough incentive.
- Even the R48 201 expected to be received in July, only R41 120 was received. Debtors are not pressured to pay on time.

4

6.2.3 Calculate the percentage increase in the Rent Income.

$$\frac{315 \checkmark \checkmark}{(4\,815 - 4\,500)} \times 100 = 7\% \checkmark$$

$$\frac{4\,500 \checkmark}{4\,500 \checkmark}$$

4

6.2.4 Calculate the amount of the interest on investment. (Refer point 7)

3% per quarter (12% p.a.)
 $\checkmark \checkmark$
 $8\,755 \times (3 \div 103) = R255 \checkmark$

3

6.2.5 Taking into account point 4 and 5 from the information, calculate the value for (d).

July total sales = $(46\,500 + 15\,500) = 62\,000 \checkmark \times \frac{100}{125} \checkmark = 49\,600 \checkmark - 6\% = 46\,624 \checkmark$

4

6.2.6 Taking into account point 6 from the information, calculate the value for (e).

$12\,600 \div 3 = 4\,200 \checkmark$ each $\times 108\% = 4\,536 \checkmark \times 4 = 18\,144 \checkmark$

Or $12\,600 \div 3 \times 4 \times \frac{108}{100} = 18\,144$

3

6.2.7 Should the employees be satisfied with the salary increase they will receive? Motivate your answer.

Yes or No $\checkmark$ Explanation $\checkmark \checkmark$

Yes. It is above the inflation rate which is between 6 – 7 %.

OR

No. It is almost equal to the inflation rate and does not contribute to improving their standard of living.

3

6.2.8 Identify TWO payments that you consider to be poorly managed. Provide advice to the manager on how to improve the internal control of these items.

• **TWO PAYMENTS:**

Telephone/Stationery/Drawings (Any 2) $\checkmark \checkmark$

• **ADVICE:**

One valid explanation $\checkmark \checkmark$

- Need to investigate why they went over the budget.
- Possible abuse of company resources by employees.
- Improve the usage of paper and record/limit the use of the telephones/insert dialling codes, etc.

4

QUESTION 6 TOTAL:

45

GRAND TOTAL: 300