



FURTHER EDUCATION & TRAINING PHASE (FET)

ACCOUNTING

SBA EXEMPLAR BOOKLET

GRADES 10 - 12



basic education
Department:
Basic Education
REPUBLIC OF SOUTH AFRICA



FOREWORD



The Department of Basic Education has pleasure in releasing a subject exemplar booklet for School Based Assessment (SBA) to assist and guide teachers with the setting and development of standardised SBA tasks and assessment tools. The SBA booklets have been written by teams of subject specialists to assist teachers to adapt teaching and learning methods to improve learner performance and the quality and management of SBA.

The primary purpose of this SBA exemplar booklet is to improve the quality of teaching and assessment (both formal and informal) as well as the learner's process of learning and understanding of the subject content. Assessment of and for learning is an ongoing process that develops from the interaction of teaching, learning and assessment. To improve learner performance, assessment needs to support and drive focused, effective teaching.

School Based Assessment forms an integral part of teaching and learning, its value as a yardstick of effective quality learning and teaching is firmly recognised. Through assessment, the needs of the learner are not only diagnosed for remediation, but it also assists to improve the quality of teaching and learning. The information provided through quality assessment is therefore valuable for teacher planning as part of improving learning outcomes.

Assessment tasks should be designed with care to cover the prescribed content and skills of the subject as well as include the correct range of cognitive demand and levels of difficulty. For fair assessment practice, the teacher must ensure that the learner understands the content and has been exposed to extensive informal assessment opportunities before doing a formal assessment activity.

The exemplar tasks contained in this booklet, developed to the best standard in the subject, is aimed to illustrate best practices in terms of setting formal and informal assessment. Teachers are encouraged to use the exemplar tasks as models to set their own formal and informal assessment activities.



MR HM MWELI

DIRECTOR-GENERAL

DATE: 13/09/2017

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Research and presentation on an informal business/bookkeeping

Focus of assessment task:

- Conducting an interview using the given questionnaire
- Oral or written presentation on informal business and its bookkeeping systems

In this task learners are required to experience what an informal business is all about and how it differs from the formal business.

The oral or written option is given to accommodate learners with different backgrounds and capabilities.

General instructions

- You need to work on your own to complete this presentation.
- Due to the nature of the task, the interview and the questionnaire will be completed after school hours and the presentation/report in class.
- Phase 1: Interview and questionnaire completed Due date:
Phase 2: Compiling a rough draft/planning of presentation/written report. Due date:
Phase 3: Submitting the final presentation/report. Due date:
- An oral presentation must be supported by a hard copy of the presentation e.g. a PowerPoint printout or a poster.
- Refer to the rubric for specific criteria and mark allocation.

Learners must work individually and submit their own presentation.

Please take note of the last item on the rubric ('Final presentation'), which caters for EITHER a written OR an oral presentation. Do not complete both items.



1. **Conduct an interview**

- Identify someone in your community who operates a small informal business, such as a street vendor/pavement stall or who sells goods from home.
- This person must be involved in buying and selling goods.
- Make an appointment with this person and explain the aim of your visit.
- Use the questionnaire given to gather information for your written and oral presentation. You may add questions to the given questionnaire.

2. **Prepare a written or an oral presentation on the informal business that you researched**

Ensure that your presentation is interesting and easy to follow by including the following information:

2.1 **An introduction: A brief background to the business**

- Where does the business operate?
- Who owns the business and why did they start the business?
- How much capital did they originally invest in the business and where did they obtain the funds needed?

2.2 **How they manage their stock**

- What goods do they sell?
- How do they determine where to buy them from?
- What systems have they put in place to protect their stock from theft and loss due to damage?
- How do they decide at what price to sell their stock?

2.3 **Bookkeeping systems**

- How do they record their cash sales and other money received?
- How do they record their cash purchases?
- What source documents are used, if any? (If possible, include an example)
- Do they buy and sell on credit, and if so, how do they keep record of these transactions?
- How do they calculate their profit and loss?

2.4. **How they manage their assets**

- Do they own any assets, and if so, what systems have they put in place to protect assets from theft and loss due to damage?
- Do they keep a record of assets they own and how much they are worth?

2.5 Labour costs

- Do they employ other people?
- How do they determine how much to pay them?
- How do they keep a record of how much they pay in wages?

2.6 Competitors and other problems or challenges

- If there are competitors; who are they and how does the person handle the situation?
- What are the biggest problems / challenges for the business (such as safety) and how does the person handle them?
- Any other interesting facts.

2.7 Conclusion

2.7.1 Use the above information to list the differences between your informal business and a formal business. This may be in a tabular format.

2.7.2 Give advice to the owner to address the challenges mentioned in 3.6 above.

Your presentation will be assessed according to the criteria in the rubric.

QUESTIONNAIRE

NAME of learner:

NAME of business: Owner:

1. What kind of business are you involved in?
2. What motivated you to start your business?
3. Where did you get the money to start the business?
4. What different types of stock do you sell?
5. Where do you buy your stock?
6. Why do you choose that supplier or those suppliers?
7. How often do you buy stock?
8. How do you decide how much to charge for your stock?
9. Who is your target market?
10. How do you keep record of your purchases and sales?
11. Do you employ someone to assist you in the business?
12. How do you decide how much to pay your employee or employees?
13. What are your other business expenses?
14. How do you keep a record of all your expenses?
15. How do you know if you made a profit and when do you calculate it?
16. Who are you competitors in the market?
17. How do you differentiate your business from your competitors?
18. What assets does your business have and what systems have you put in place to protect them from theft or loss?
19. Do you have to pay to use this site?
20. Write down any other interesting facts that were mentioned during the interview.
Other questions...

ACCOUNTING	GRADE 10	PRESENTATION: TERM 1	MARKS: 50
RUBRIC FOR ASSESSMENT OF PRESENTATION			

Name of learner:

Name of school:

Criteria	Allocated mark				Learner's mark
	6	4-5	3	0 – 2	
1. Evidence of Interview	All questions sufficiently answered	15+ questions sufficiently answered	10+ questions sufficiently answered	5+ questions answered. No evidence	
	5	3-4	2	0-1	
2.1 Introduction (Background of the business)	Excellent/interesting/ all information provided (3 aspects)	Good/most information covered (2 aspects)	Average/some information not covered (1 aspect)	No/weak attempt	
	7-8	4 - 6	2-3	0-1	
2.2 Buying and controlling stock/Details of services rendered	Excellent/interesting/ all information provided (4 aspects)	Good/most information covered (2 or 3 aspects)	Average/some information not covered (1 aspect)	No/weak attempt	
	7-8	4 - 6	2-3	0-1	
2.3 Bookkeeping systems	Excellent/interesting/ all information provided (5 aspects)	Good/most information covered (3 or 4 aspects)	Average/some information not covered (1 or 2 aspects)	No/weak attempt	
	4	3	2	0-1	
2.4 Managing assets	Excellent/interesting/all information provided (2 aspects)	Good/most information covered (1 aspect)	Average/some information not covered (1 aspect)	No/weak attempt	
	4	3	2	0-1	
2.5 Labour costs	Excellent/interesting/all information provided (3 aspects)	Good/most information covered (2 aspects)	Average/some information not covered (1 aspect)	No/weak attempt	

	4	3	2
2.6 Competitors and other problems or challenges	Excellent/ interesting/ all information provided (3 aspects)	Good/most information covered (2 aspects)	Average/some information not covered (1 aspect)
	5	3 - 4	2
2.7.1 Conclusion (comparison)	Excellent comparison (Min 4 aspects)	Clear comparison (Min 3 aspects)	Comparison included (Min 2 aspects)
		3	2
2.7.2 Conclusion (advice)		Excellent/ Meaningful advice related to identified challenges (Min 3 aspects)	Some advice / Not all related to challenges (Min 2 aspects)
	5-6	4	2 - 3
* Final presentation (Written report only) with cover page, index, page numbers, illustrations, etc.	Excellent presentation with all aspects included (Min 4 aspects)	Good presentation with most aspects included (Min 3 aspects)	Average presentation (Min 2 aspects)
	5-6	4	2 - 3
* Final presentation (Oral presentation with hard copy)	Excellent presentation with confidence. All supporting evidence submitted	Good presentation. Some supporting evidence submitted.	Average presentation. Supporting evidence lacking.
Total marks	50		

***NOTE:**

Only complete ONE of these options for a maximum of 5 marks for the final presentation.

ACCOUNTING PROJECT FOR TERM 2

GRADE 10

TOPIC: Bookkeeping of a Sole Trader

TIME ALLOCATED: 4 HOURS

TOTAL MARKS: 50

INSTRUCTIONS AND INFORMATION

INSTRUCTIONS TO TEACHER:

- The teacher should have covered all journals before giving the task to the learners since the learners have done research on informal bookkeeping.
- The teacher must discuss the criteria used to assess the project with the learners.
- Learners should be provided with answer books on the date of the administration of this project.
- The project must be administered under the supervision of the teacher.

INFORMATION

Nadal Furnishers was established by Rafael Nadal. The business trades in furniture and electrical equipment and is situated at 44 Main Road, Hilton. Nadal Furnishers calculate their selling prices by adding 25% to cost.

You have been appointed as the bookkeeper of Nadal Furnishers. The previous bookkeeper left at the end of the month without completing the subsidiary books for September 2015. You were presented with the source documents.

REQUIRED:

1. BOOKKEEPING

Complete the subsidiary journals, post to the General Ledger (only selected accounts), Debtors Ledger and Creditors Ledger and properly balance the Balance Sheet accounts.

2. ETHICS

It was alleged in the newspaper that the bookkeeper was paid a bribe of R10 000. She was arrested and charged with fraud, corruption and money laundering related to dodgy tenders awarded to Rafael Nadal for providing furniture to schools.

2.1.1 What is meant by the word 'bribe' and 'tender'? (4)

2.1.2 Name ONE crime that the bookkeeper is accused of. (2)

3. INTERNAL CONTROL

WHEN CHECKING THE DEBTORS' RECORDS, the owner picked up that:

- There are more creditors' sales compared to cash receipts from debtors.
- That the General Journal reflects an increase in interest charged on debtors' accounts.

As a person who understands the importance of internal control:

3.1 What do you think is the cause of the two scenarios mentioned above? (2)

3.2 What actions/remedies can you suggest to the owner? Suggest TWO. (2)

RUBRIC FOR MARKING**TOTAL PROJECT MARKS: 50**

NAME OF LEARNER	
NAME OF SCHOOL	

ASSESSMENT RUBRIC**ASSESSMENT CRITERIA 1**

Completeness of work	2 marks (fully done), 0 mark (not done except for criteria 1)	Total mark obtained	Learner's mark obtained
1. Recorded information from the source documents in the subsidiary journals	2	10	
2. Dates recorded in subsidiary journals	1		
3. Recorded source documents in the subsidiary ledgers	1		
4. Dates and codes recorded in the subsidiary ledgers	1		
5. Folio references in subsidiary journals for posting	1		
6. Folio references in the ledger accounts	1		
7. Source documents' numbers in subsidiary journals	1		
8. Subsidiary journals closed off on the last day of the month	1		
9. Balancing of the balance sheet accounts in the ledger on the last day of the month	1		

ASSESSMENT CRITERIA 2	SCORE		Mark obtained
Accuracy of entries in the subsidiary journals, ledgers, general journal and list of debtors and creditors	150		
Internal control and ethics	10		
	150+10=160/4	40	

Criteria 1 Total	Criteria 2 Total	Total mark obtained
10	40	50

TRIAL BALANCE OF NADAL FURNISHERS ON 31 AUGUST 2015

	Fol.	DEBIT	CREDIT
Balance Sheet Accounts Section			
Capital	B1		550 000
Drawings	B2	68 220	
Land and buildings	B3	210 000	
Vehicles	B4	150 400	
Equipment	B5	95 407	
Trading inventory	B6	88 012	
Debtors control	B7	20 226	
Bank	B8	500	
Cash float	B9	1 000	
Petty cash	B10	300	
Creditors control	B11		12 684
Fixed deposit: Protea Bank	B12	45 000	
Nominal Accounts Section			
Sales	N1		931 415
Cost of sales	N2	745 012	
Debtors allowances	N3	150	
Telephone	N4	3 408	
Rent income	N5		36 000
Interest on fixed deposit	N6		3 300
Insurance	N7	3 300	
Bank charges	N8	2 246	
Bad debts	N9	960	
Bad debts recovered	N10		210
Discount allowed	N11	1 287	
Discount received	N12		100
Interest on bank overdraft	N13	200	
Interest on current bank account	N14		368
Interest received	N15		382
Advertising	N16	1 316	
Salaries	N17	64 648	
Wages	N18	20 091	
Stationery	N19	430	
Water and electricity	N20	6 374	
Rates	N21	5 972	
		1 534 459	1 534 459

List of debtors on 31 August 2015

	DEBIT	CREDIT
M. Khan	5 520	
N. Palm	1 266	
J. Patedi	2 940	
	9 726	

List of creditors on 31 August 2015

	DEBIT	CREDIT
Nduma Wholesalers		3 978
Tshefu Distributors		5 100
	-	9 078

SOURCE DOCUMENTS**CASH INVOICES AND CREDIT INVOICES RECEIVED SORTED IN DATE ORDER**

INVOICE						
To: Nadal Furnishers 44 Main Road Hilton 3245 Bought from:			No. 697 78 Ring Crescent Hilton 3245 16 September 2015			
			TSHEFU DISTRIBUTORS			
			Quantity	Description	Price	Amount
			20	Heaters	R144	2 880 00
20	Toasters	R56	1 120 00			
10	Microwave ovens	R1 920	19 200 00			
	Packing materials		2 420 00			
			?			
E. & O.E.						

INVOICE			
To: Nadal Furnishers 44 Main Road Hilton 3245 Daily post		No. 844 108 Bird Street Hilton 3245 25 September 2015	
		Description	Amount
		Advertising campaign	2 160 00
E. & O.E.			

INVOICE				
To: Nadal Furnishers 44 Main Road Hilton 3245 Bought from:			No. 688 34 Colley Avenue Hilton 3245 30 September 2015	
			NDUNA WHOLESALERS	
Quantity	Description	Price	Amount	
2	Lounge suites	R6 080	12 160	00
1	Laptop computer for office use	R9 620	9 620	00
			21 780	00
E. & O.E.				

CREDIT INVOICES ISSUED

INVOICE				
To: M. Khan 160 Second Avenue Hilton 3245 Bought from:			No.512 44 Main Road Hilton 3245 9 September 2015	
			NADAL FURNISHERS	
Quantity	Description	Price	Amount	
1	Lounge suite	R7 600	7 600	00
2	Mattresses	R1 250	2 500	00
			10 100	00
E. & O.E.				

INVOICE				
To: J. Patedi 78 Grace Crescent Hilton 3245 Bought from:			No. 513 44 Main Road Hilton 3245 15 September 2015	
			NADAL FURNISHERS	
Quantity	Description	Price	Amount	
1	Lounge suite	R7 600	7 600	00
1	Bedroom suite	R9 000	9 000	00
1	Fridge	R3 625	3 625	00
2	Television sets	R3 600	7 200	00
			?	
E. & O.E.				

INVOICE				
			No.514	
			44 Main Road	
			Hilton 3245	
			30 September 2015	
To: M. Khan				
160 Second Avenue				
Hilton 3245				
Bought from:			NADAL FURNISHERS	
Quantity	Description	Price	Amount	
1	Sofa	R2 400	2 400	00
E. & O.E.				

INVOICE

No. 515

44 Main Road

Hilton 3245

30 September 2015

To: J. Patedi

78 Grace Crescent

Hilton 3245

Bought from:

NADAL FURNISHERS

Quantity	Description	Price	Amount	
3	Stools	R500	R1 500	00
1	Vacuum cleaner	R790	790	00
			2 290	00

CREDIT NOTES

CREDIT NOTE				
No.75		44 Main Road Hilton 3245 16 September 2015		
To: J. Patedi 78 Grace Crescent Hilton 3245				
Credited by:		NADAL FURNISHERS		
Quantity	Description	Price	Amount	
1	Television set	R3 600	3 600	00
E.& O.E				

CREDIT NOTE

No.77

44 Main Road
Hilton 3245
25 September 2015

To: M. Khan
160 Second Avenue
Hilton 3245

Credited by:

NADAL FURNISHERS

Quantity	Description	Price	Amount	
1	Mattress	R1 250	1 250	00

E. & O.E

DEBIT NOTE

DEBIT NOTE

No.63

44 Main Road
Hilton 3245
28 September 2015

To: Daily Post
108 Bed Street
Hilton 3245

Debited by:

NADAL FURNISHERS

Quantity	Description	Price	Amount	
	Advertising campaign not according to agreement		510	00

E. & O.E

CHEQUE COUNTERFOILS

1 September 2015	
To: Nduna	
Wholesalers	
For: Trading inv.	
R9 600	
Equipment R6 900	
Bal	
Dep	
Total	
Cheq.	R16 500,00
234	

3 September 2015	
To: Tambo Stationers	
For: Stationery	
Bal	
Dep	
Total	
Cheq.	R1 080,00
236	

6 September 2015	
To: Tshefu Distributors	
For: On account Discount R306	
Bal	
Dep	
Total	
Cheq.	R4 794,00
	237

6 September 2015	
To: Cash	
For: Wages	
Bal	
Dep	
Total	
Cheq.	R2 448,00
	238

30 September 2015	
To: J. Cox	
For: Salary	
Bal	
Dep	
Total	
Cheq.	R5 800,00
	250

RECEIPTS ISSUED

RECEIPT		No 782 1 September 2015
Received with thanks from J, Patedi		
For Payment on account(discout allowed R147,00)		
The amount of	Two thousand, seven hundred and ninety three	
		rands R2 793,00
<input type="checkbox"/> Cash <input checked="" type="checkbox"/> Cheque✓		L. Moreki
For: NADAL Furnishers		

RECEIPT		No 785 9 September 2015
Received with thanks from P. Mohamed		
For Payment on account written off two months ago		
The amount of	Four hundred and fifty six	
		rands R456,00
<input type="checkbox"/> Cash <input checked="" type="checkbox"/> Cheque✓		L. Moreki
For: NADAL Furnishers		

RECEIPT		No 786 15 September 2015
Received with thanks from Finbank		
For Loan		
The amount of	Sixty thousand	
		rands R60 000,000
<input type="checkbox"/> Cash <input checked="" type="checkbox"/> Cheque✓		L. Moreki
For: NADAL Furnishers		

RECEIPT		No 788 30 September 2015
Received with thanks from N. Palm		
For First and final dividend on account		
The amount of	Five hundred and ten	
		rands R510,00
<input type="checkbox"/> Cash <input checked="" type="checkbox"/> Cheque✓		L. Moreki
For: NADAL Furnishers		

CASH REGISTER ROLLS

CASH REGISTER ROLL	
1 September 2015	
Total cash sales	R4 800,00

CASH REGISTER ROLL	
30 September 2015	
Total cash sales	R8 172,00

DEPOSIT SLIPS

PROTEA BANK				DEPOSIT SLIP			
Credit NADAL Furnishers				Date 1 September 2015			
44 Main Road Hilton 3245				R			
				Notes	3000	00	
				Nickel	905	00	
				Bronze	5	00	
				MO and PO			
				Subtotal	3 910	00	
(Stamp)	Drawer's name	Bank	Branch/Clearing code				
Protea	1. J. Patedi	Disa	335-816	2 793 00			
2015-09-01	2. S. Cohen	Protea	334-812	890 00			
Bank	3						
Deposited by	L Moreki		Total	7 593 00			
Account number	0	4	1 0 - 7 0 7 - 8 1 3				

PROTEA BANK				DEPOSIT			
Credit NADAL Furnishers				Date 9 September 2015			
44 Main Road Hilton 3245				R			
				Notes			
				Nickel			
				Bronze			
				MO and PO			
				Subtotal			
(Stamp)	Drawer's name	Bank	Branch/Clearing code				
Protea	1. P. Mahomed	Disa	335-816	456 00			
2015-09-09	2.						
Bank	3.						
Deposited by	L Moreki		Total	456 00			
Account number	0	4	1 0 - 7 0 7 - 8 1 3				

PROTEA BANK				DEPOSIT SLIP			
Credit NADAL Furnishers				Date 15 September			
2015							
44 Main Road Hilton 3245				R			
				Notes			
				Nickel			
				Bronze			
				MO and PO			
				Subtotal			
(Stamp)	Drawer's name	Bank	Branch/Clearing code				
Protea	1. Finbank	Finbank	336-843	60 000 00			
2015-09-15	2.						
Bank	3						
Deposited by	L Moreki		Total	60 000 00			
Account number	0	4	1 0 - 7 0 7 - 8 1 3				

PROTEA BANK Credit NADAL Furnishers 44 Main Road Hilton 3245				DEPOSIT SLIP Date 30 September 2015		
				R		
				Notes	4 200	00
				Nickel	1 050	00
				Bronze	23	00
				MO and PO		
				Subtotal	5 273	00
(Stamp) Protea 2015-09-30 Bank	Drawer's name	Bank	Branch/Clearing code			
	1. R. Pekeur	Disa	335-816		2 060	00
	2. Sparks and Sparks Solicitors	Protea	334-812		510	00
	3. K. Majiet	Disa	335-816		839	00
Deposited by	L. Moreki	Total			8 682	00
Account number				0	4	1 0 - 7 0 7 - 8 1 3

JOURNAL VOUCHERS

JOURNAL VOUCHER-NADAL FURNISHERS	
Date:	30 September 2015
Details:	I took goods, selling price R1 875,00 for my own use.
Authorised:	A. Mabona

JOURNAL VOUCHER-NADAL FURNISHERS	
Date:	30 September 2015
Details:	M. Khan must be charged with R68,00 interest on his overdue account
Authorised:	A. Mabona

JOURNAL VOUCHER-NADAL FURNISHERS	
Date:	30 September 2015
Details:	The balance on N. Palm's account must be written off as bad debt
Authorised:	A. Mabona

The owner's notes to the bookkeeper on 30 September 2015:

1. D. Clark dishonoured his cheque of R9 120.
2. Bank charges for September according to bank statement received from Protea Bank, R200.
3. The fixed deposit matured on 30 September 2015; Protea Bank paid R45 000 into the current bank account.

OTHER DOCUMENTS

PROTEA BANK	ACKNOWLEDGEMENT OF INVESTMENT
DETAILS OF INVESTMENT	
Account holder	NADAL Furnishers
Account number	028 271 4531D
Amount invested	R45 000,00 (Forty five thousand rands only)
Date invested	1 October 2015
Period	12 Months
Due date	30 September 2015
Interest rate	8% per annum
(Stamp) Protea 2014-10-01 Bank	S. Paulsen For: Protea Bank

RUBRIC FOR MARKING
TOTAL PROJECT MARKS: 50

NAME OF SCHOOL	
NAME OF LEARNER	
DATE	

Question	Topic	Max marks	Mark obtained	School moderation	District moderation	Provincial moderation
1	Bookkeeping of a Sole Trader	50				
Total						

ASSESSMENT RUBRIC
ASSESSMENT CRITERIA 1

Completeness of work	2 marks (fully done), 0 (not done except for criteria 1)	Total mark obtained	Learner's mark obtained
1. Recorded information from the source documents in the subsidiary journals	2	10	
2. Dates recorded in subsidiary journals	1		
3. Recorded source documents in the subsidiary ledgers	1		
4. Dates and codes recorded in the subsidiary ledgers	1		
5. Folio references in subsidiary journals for posting	1		
6. Folio references in the ledger accounts	1		
7. Source documents' numbers in subsidiary journals	1		
8. Subsidiary journals closed off on the last day of the month	1		
9. Balancing of the balance sheet accounts in the ledger on the last day of the month	1		

ASSESSMENT CRITERIA 2	SCORE		Mark obtained
Accuracy of entries in the subsidiary journals, ledgers, general journal and list of debtors and creditors	150		
Internal control and ethics	10		
	150+10=160/4	40	

Criteria 1 Total	Criteria 2 Total	Total Mark obtained
10	40	50

DEBTORS JOURNAL OF NADAL FURNISHERS - SEPTEMBER 2015 DJ 9

[illegible]

DEBTORS ALLOWANCE JOURNAL OF NADAL FURNISHERS - SEPTEMBER 2015 DAJ 9

Doc. No.	Day	Debtors	Fol	Sales		Cost of sales	
							-
							-
							-
							-

[illegible]

M. Khan D2

[illegible]

N. Palm D4

Date		Code	Details/Document No.	Fol	Debit		Credit		Balance	

J. Patedi D5

Date		Code	Details/Document No.	Fol	Debit		Credit		Balance	

CREDITORS LEDGER OF NADAL FURNISHERS

Daily Post C1

Date		Code	Details/Document No.	Fol	Debit		Credit		Balance	

Nduna Wholesalers C4

Date		Code	Details/Document No.	Fol	Debit		Credit		Balance	

Tshefu Distributors C5

Date		Code	Details/Document No.	Fol	Debit		Credit		Balance	

List of debtors on 30 September 2015

List of creditors on 30 September 2015

DRAWINGS B2

											-

TRADING INVENTORY B6

DEBTORS CONTROL B7

CREDITORS CONTROL B11

DEBTORS ALLOWANCES N3

2015 Sept	1	Balance	b/d	150						-

RUBRIC FOR MARKING
TOTAL PROJECT MARKS: 50

NAME OF SCHOOL	
NAME OF LEARNER	
DATE	

Question	Topic	Max marks	Mark obtained	School moderation	District moderation	Provincial moderation
1	Bookkeeping of a Sole Trader	50				
Total						

ASSESSMENT RUBRIC
ASSESSMENT CRITERIA 1

Completeness of work	2 marks (fully done), 0 (not done except for criteria 1)	Total mark obtained	Learner's mark obtained
1. Recorded information from the source documents in the subsidiary journals	2	10	
2. Dates recorded in subsidiary journals	1		
3. Recorded source documents in the subsidiary ledgers	1		
4. Dates and codes recorded in the subsidiary ledgers	1		
5. Folio references in subsidiary journals for posting	1		
6. Folio references in the ledger accounts	1		
7. Source documents' numbers in subsidiary journals	1		
8. Subsidiary journals closed off on the last day of the month	1		
9. Balancing of the balance sheet accounts in the ledger on the last day of the month	1		

ASSESSMENT CRITERIA 2

ASSESSMENT CRITERIA 2	SCORE		Mark obtained
Accuracy of entries in the subsidiary journals, ledgers, general journal and list of debtors and creditors	150		
Internal control and ethics	10		
	160/4	40	

Criteria 1 Total	Criteria 2 Total	Total mark obtained
10	40	50

CASH PAYMENT JOURNAL OF NADAL FURNISHERS - SEPTEMBER 2015

CPJ 9

Doc. No.	Day	Name of payee	Fol.	Bank	Trading inventory	Wages	Creditors control	Discount received	Sundry accounts	
									Amount	Fol. Details
234	1	Nduma Wholesalers		✓16 500 -	✓9 600 -				✓6 900 -	B5 Equipment
236	3	Tampo Stationers		✓1 080 -					✓1 080 -	N19 Stationery
237	6	Tshefu Distributors	C5	✓4 794 -			✓5 100 -	✓306 -		
238		Cash		✓2 448 -		2 448 ✓				
250		J. Cox		✓5 800 -					✓5 800 -	N17 Salaries
		D. Clark (cheque unpaid)	D1	✓9 120 -					✓9 120 -	B7 Debtors control
		Protea Bank		✓200 -					✓200 -	N8 Bank charges
				✓39 942 -	✓9 600 -	2 448 ✓	✓5 100 -	✓306 -	✓27 527 -	
				B8	B6	N18	B11	N12		[22]

CASH RECEIPTS JOURNAL OF NADAL FURNISHERS - SEPTEMBER 2015

CRJ 9

Doc. No.	Day	Details	Fol.	Analysis of receipts	Bank	Sales	Debtors Control	Disc allowed	Sundry accounts	
									Amount	Fol. Details
782	1	J. Patedi	D5	2 793 -		-	✓2 940 -	147 ✓		
		Sales		4 800 -	✓7 593 -	✓4 800				
785	9	P. Mohamed		456 -	✓456 -				✓456 -	N10 Bad debts recovered
786	15	Finbank		60 000 -	✓60 000 -				✓60 000 -	B13 Loan: Finbank
788	30	N. Palm	D4	510 -			✓510 -			
		Sales		8 172	✓8 682 -	✓8 172				
		Protea Bank			✓45 000 -				✓45 000 -	B12 Fixed deposit: Protea Bank
									✓300 -	N6 Interest on fixed deposit
					121 731 ✓	12 972 ✓	✓3 450 -	147 ✓	105 456 ✓	
					B8	N1	B7	N11		[21]

CREDITORS JOURNAL OF NADAL FURNISHERS - SEPTEMBER 2015										CJ 9				
Doc. No.	Day	Creditors	Fol	Creditors control		Trading inventory		Equipment		Stationery	Packing materials		Sundry accounts	
													Amount	Fol
697	16	Tsefu Traders	C5	✓25 620	-	✓23 200	-		-	-	✓2 420	-	-	
844	25	Daily Post	C1	✓2 160	-		-		-	-		-	✓2 160	N16 Advertising
688	30	Nduna Wholesalers	C4	✓21 780	-	✓12 160	-			-		-		
				✓49 560	-	✓35 360	-				✓2 420	-	✓2 160	-
				B11		B6		85		N19		N22		
														[11]

CREDITORS ALLOWANCES JOURNAL OF NADAL FURNISHERS - SEPTEMBER 2015										CAJ 9			
Doc. No.	Day	Creditors	Fol	Creditors control	Trading inventory		Equipment		Stationery	Packing materials	Sundry accounts		
											Amount	Fol	Details
63	28	Daily Post	C1	✓510	-		-				✓510	N16	Advertising
				✓510	-		-		-		✓510	-	
				B11		B6			N19				[4]

DEBTORS JOURNAL OF NADAL FURNISHERS - SEPTEMBER 2015 DJ 9

Doc. No.	Day	Debtors	Fol	Sales		Cost of sales	
512	9	M. Khan	D2	✓ 10 100	-		-
513	15	J. Patedi	D5	✓ 27 425	-		-
514	30	M. Khan	D2	✓ 2 400	-		-
515		J. Patedi	D5	✓ 2 290	-		-
					-		-
				✓ 42 215		✓ 33 772	
				B7/N1		N2/B6	[6]

DEBTORS ALLOWANCE JOURNAL OF NADAL FURNISHERS - SEPTEMBER 2015 DAJ 9

Doc. No.	Day	Debtors	Fol	Sales		Cost of sales	
75	16	J. Patedi	D5	✓ 3 600	-		-
77	25	M. Khan	D2	✓ 1 250	-		-
				✓ 4 850		✓ 3 880	
				B7/N3		N2/B6	[4]

GENERAL JOURNAL OF NADAL FURNISHERS - SEPTEMBER 2015 GJ

Date	Details	Fol	Debit		Credit		Debtors control			
							Debit		Credit	
20	Drawings	B2	✓ 1 500	-						
	Trading inventory	B6			✓ 1 500	-				
	<i>Owner tool merchandise for own use</i>									
30	M. Khan	D2	✓ 68	-			✓ 68	-		
	Interest received	N15			✓ 68	-				
	<i>Interest charged on overdue account</i>									
	Bad debts	N9	✓ 756	-						
	N. Palm	D4			✓ 756	-			✓ 756	-
	<i>Balance on account written off</i>									
							✓ 68		✓ 756	
							B7		B7	
										[10]

DEBTORS LEDGER OF NADAL FURNISHERS
M. Khan
D2 [7]

Date		Code	Details/Document No.	Fol	Debit		Credit		Balance	
2015 Sep	1		Account rendered						✓ 5 520	-
	9	01	Invoice 512	DJ9	✓ 10 100	-			✓ 15 620	-
	25	05	Credit note 77	DAJ9			✓ 1 250	-	✓ 14 370	-
		01	Invoice 517	DJ9	✓ 2 400	-			✓ 16 770	-

N. Palm D4 [5]

Date		Code	Details/Document No	Fol	Debit	Credit	Balance
2015	1		Account rendered				✓1 266 -
Sep	30	02	Receipt 788	CRJ9		✓510 -	✓756 -
		06	Journal	GJ9		✓756 -	✓- -

J. Patedi D5 [13]

Date		Code	Details/Document No.	Fol	Debit	Credit	Balance
2015	1		Account rendered				✓2 940 -
Sep		02	Receipt 782	CRJ9		✓2 793 -	✓147 -
		03	Receipt 782	CRJ9		✓147 -	✓- -
	15	01	Invoice 513	DJ9	✓27 425 -		✓27 425 -
		04	Petty cash voucher 258	PCJ 9	✓83 -		✓27 508 -
	16	05		DAJ9		✓3 600 -	✓23 908 -
	30	01		DJ9	✓2 290 -		✓26 198 -

CREDITORS LEDGER OF NADAL FURNISHERS

Daily Post C1 [4]

Date		Code	Details/Document No.	Fol	Debit	Credit	Balance
2015	25	01	Invoice 844	CRJ9		✓2 160 -	✓2 160 -
Sep	28	05	Debit note 63	CAJ9	✓510		✓1 650 -

Nduna Wholesalers C4 [3]

Date		Code	Details/Document No.	Fol	Debit	Credit	Balance
2015	1		Account rendered				✓3 978 -
Sep	30	01	Invoice 688	CRJ9		✓21 780 -	✓25 758 -

Tshefu Distributors C5 [7]

Date		Code	Details/Document No.	Fol	Debit	Credit	Balance
2015	1		Account rendered				✓5 100 -
Sep	6	02	Cheque 237	CPJ9	✓4 794 -		✓306 -
		03	Cheque 237	CPJ9	✓306 -		✓- -
	16	01	Invoice 697	CJ9		✓25 620 -	✓25 620

List of debtors on 30 September 2015 [4]

N. Palm	✓-	-
J. Patedi	✓26 198	-
M. Khan	✓16 770	-
	✓97 059	-

List of creditors on 30 September 2015 [4]

Daily Post	✓1 650	-
Nduna Wholesalers	✓25 758	-
Tshefu Distributors	✓25 620	-
	✓113 568	-

General Ledger of NADAL Furnishers

DRAWINGS

B2 [3]

2015 Sept	1	Balance	b/d	✓68 220	-	2015 Sept	30	Capital	GJ9	✓69 720	-
	20	Trading inventory	GJ9	✓1 500	-						
				69 720	-					69 720	

TRADING INVENTORY

B6 [9]

2015 Sept	1	Balance	b/d	✓88 012	-	2015 Sept	30	Drawings	GJ9	✓1 500	-
	30	Bank	CPJ9	✓9 600	-						
		Creditors control	CJ9	✓35 360	-			Cost of sales	CRJ9	✓10 378	-
		Cost of sales	DAJ9	✓3 880				Cost of sales	DJ9	✓33 772	-
								Balance	c/d	91 202✓*	-
				136 852	-					136 852	
Oct	1	Balance	b/d	91 202	-						

DEBTORS CONTROL

B7 [8]

2015 Sept	1	Balance	b/d	✓20 226		2015 Sept	30	Bank and discount allowed	CRJ9	✓3 450	-
	30	Bank	CPJ9	✓9120				Debtors allowance	DAJ9	✓4 850	-
								Journal credits	GJ9	✓756	-
		Sales	DJ9	✓42 215				Balance		✓* 62 573	-
		Journal debits	GJ9	✓68							
				71 629						124 435	-
Oct	1	Balance	b/d	62 573							

CREDITORS CONTROL

B8 [5]

2015 Sept	30	Bank and discount received	CPJ9	✓5 100		2015 Sept	1	Balance	b/d	✓12 684	-
		Returns and allowance	CAJ9	✓510			30	Sundry purchases	CJ9	✓49 560	-
		Balance	c/d	51024✓*							
				56 634						56 634	-
						Oct	1	Balance	b/d	51 024	-

DEBTORS ALLOWANCE						N3			
2015	1	Balance	b/d	150		2015			
Sep	30	Debtors control	DAJ9	4 850✓		Sep			

NB Allocate the method mark only if the balance c/d amount is the same as the balance b/d*

2. ETHICS

2.1 Possible answers

- Bribe is to give a reward, gift or price with a view to corrupt the conduct of a person in a position of trust. ✓✓
- Tender is an offer to supply goods at a fixed price. ✓✓

2.2. Name one type of crime committed by the bookkeeper.

- Fraud ✓✓
- Corruption
- Money laundering

3. INTERNAL CONTROL

3.1 Possible causes

- Slow rate of payments ✓✓
- Debtors taking too long to pay their debts
- Lack of proper screening of potential customers

a. Actions

- Encourage early payments by offering discounts ✓✓
- Do affordability checks on new and existing customers

ACCOUNTING CASE STUDY: TERM 3

GRADE 10

TOPIC: Analysis and interpretation of financial statements

TIME ALLOCATED: 2 HOURS

TOTAL MARKS: 50

ANALYSIS AND INTERPRETATION

INFORMATION

You are provided with an extract from the financial statements of Oranama Stores. The owner, P. Zoko, started the business in 2010 to earn extra income. His aim is to develop Oranama Stores into a full-time business. He is however disappointed with the current state (results) of the business. He currently rents the premises but is considering buying land and buildings. He feels that he is paying too much on rent. He increased the gross profit percentage at the beginning of 2015 from 30% to 60%. P. Zoko requested you to assist him to ensure that his dream is realised.

REQUIRED

1. Calculate the missing financial indicators for 2015. Write down the formula and show the calculations. Round off to the first decimal place. **(18)**

Financial indicators	2014	2015
% gross profit on sales	22,6%	35,3%
% gross profit on cost of sales	29,2%	54,4%
% operating expenses on sales	25,8%	27,8%
% operating profit on sales	6,5%	15,3%
% net profit on sales	3,6%	13,3%
% return on owner's equity	11,3%	A
Solvency ratio	1,8 : 1	B
Debt: Equity ratio	0,9 : 1	C
Current ratio	3,1 : 1	D
Acid test ratio	1,1 : 1	E

2. OPERATING EFFICIENCY AND INTERNAL CONTROL

- 2.1 Is the operating efficiency satisfactory (purpose of starting the business)? Explain by quoting relevant figures. (4)
- 2.2 Name two items in the Income Statement that are a concern. Give reasons for your answer. (2)
- 2.3 Comment on the liquidity of the business by quoting relevant figures. Is it satisfactory? (5)
- 2.4 Comment on the return on owner's equity. If the owner is offered a maximum return on investment of 6% by a financial institution, will he be satisfied with his current return on owner's equity? (3)
- 2.5 Is the degree of solvency satisfactory? Motivate your answer by quoting a relevant indicator, figure or percentage. (3)
- 2.6 Was the increase in the gross profit percentage a good strategy? Explain. (3)
- 2.7 Two employees are dissatisfied with the increase in their remuneration. According to their knowledge, the profit of the business increased by 378% and their increase is much lower than that. A part-time assistant was appointed at the beginning of the year at R2 000 per month. The appointment of the assistant was due to the workers complaining that they are working too hard and need assistance.
- 2.7.1 Calculate the percentage increase that the two permanent workers received. (4)
- 2.7.2 Give one argument in favour of the permanent workers regarding their increase. (1)
- 2.7.3 What argument can the owner mention in his favour? (1)
- 2.8 Will it be a good idea for the business to continue renting the premises or would it be better to purchase the premises? The owner of the building wants to sell the premises for R800 000. (3)
- 2.9 Is the business sustainable? Explain your answer. (3)

INFORMATION:

ORANAMA MOTORS
EXTRACT FROM THE BALANCE SHEET ON 28 FEBRUARY 2015

	2015	2014
ASSETS		
NON-CURRENT ASSETS	350 000	320 000
Tangible / fixed assets	150 000	120 000
Fixed deposit	200 000	200 000
CURRENT ASSETS	342 200	373 000
Inventories	259 200	247 500
Trade and other receivables	22 000	17 500
Cash and cash equivalents	61 000	108 000
TOTAL ASSETS	692 200	693 000
EQUITY AND LIABILITIES		
Owner's equity	332 600	302 000
NON-CURRENT LIABILITIES	230 000	272 000
Loan from Land Bank (12% p.a.)	230 000	272 000
CURRENT LIABILITIES	129 600	119 000
Trade and other payables	129 600	119 000
TOTAL EQUITY AND LIABILITIES	692 200	693 000

NOTE FROM BALANCE SHEET

OWNER'S EQUITY	
Balance at beginning of year	302 000
Net profit for the year	159 370
Drawings	(128 770)
Balance at end of year	332 600

INCOME STATEMENT FOR THE YEAR ENDED 28 FEBRUARY 2015

	2015	2014
Sales	1 200 000	930 000
Cost of sales	(777 000)	(720 000)
Gross profit	423 000	210 000
Other operating income	95 000	90 000
Gross operating income	518 000	300 000
Operating expenses	(334 000)	(239 000)
Salaries and wages	200 000	160 000
Rent expense	60 000	36 000
Bank charges	4 500	3 500
Telephone, water and electricity	5 000	4 500
Advertising	6 000	6 000
Consumable stores	2 600	2 400
Damaged trading stock written off	18 000	1 000
Depreciation	13 500	12 000
Trading stock deficit	9 000	3 000
Sundry expenses	15 400	11 100
Operating profit	184 000	60 000
Interest income	8 000	8 000
Operating profit before interest expense	192 000	68 500
Interest expense	(32 630)	(35 160)
Net profit for the year	159 370	33 340

ACCOUNTING CASE STUDY**GRADE 10****MARKS: 50****DURATION: 2 HOURS****ANALYSIS AND INTERPRETATION**

Name of learner:

1	Missing financial indicators
A	Return on owner's equity
B	Solvency ratio
C	Debt equity ratio
D	Current ratio

E	Acid test ratio
----------	------------------------

2.1	Operating efficiency
2.2	Items in the Income statement that are a concern
2.3	Liquidity of business
2.4	Return on equity
2.5	Solvency of the business

2.6	Gross profit percentage
2.7	Wage increases
2.8	Buying or renting property
2.9	Is the business sustainable?

ANALYSIS AND INTERPRETATION

1	Missing financial indicators	
A	Return on owner's equity	(Total: 4 marks)
	$\checkmark \frac{\text{Net profit}}{\text{Average owner's equity}} \times \frac{100}{1}$ $\checkmark \frac{159\,370}{\frac{1}{2}(302\,000 + 332\,600)} \times \frac{100}{1}$ $\checkmark 50.3\%$	
B	Solvency ratio	(Total: 4 marks)
	$\checkmark \text{Total assets} : \text{Total liabilities}$ $\checkmark 692\,200 : 230\,000 + 129\,600$ $692\,200 : 359\,600 \quad \checkmark$ $1,9 : 1 \quad \checkmark$	
C	Debt equity ratio	(Total: 3 marks)
	$\checkmark \text{Non-current liabilities} : \text{Owner's equity}$ $\checkmark 230\,000 : 332\,600$ $\checkmark 0.7 : 1$	
D	Current ratio	(Total: 3 marks)
	$\checkmark \text{Current assets} : \text{Current liabilities}$ $\checkmark 342\,200 : 129\,600$ $\checkmark 2.6 : 1$	
E	Acid test ratio	(Total: 4 marks)
	$\checkmark \text{Current assets} - \text{Inventories} : \text{Current liabilities}$ $\checkmark 342\,200 - 259\,200 : 129\,600$ $\checkmark 83\,000 : 129\,600$ $0.6 : 1$	

2.1	Operating efficiency (Total: 4 marks) <ul style="list-style-type: none"> ✓ Yes. It is satisfactory ✓ The gross profit on sales percentage increased from 22.6% to 35.3% ✓ The operating profit on sales percentage increased from 6.5% to 15.3% ✓ The net profit on sales percentage increased from 3.6% to 13.3%
2.2	Items in the Income statement that are a concern (Total: 2 marks) <ul style="list-style-type: none"> ✓ R18 000 from damaged trading stock written off ✓ Amount of trading stock deficit increased from R3 000 to R 6 000 Rent expense increased from R36 000 to R60 000 (66.6%)
2.3	Liquidity of business (Total: 4 marks) <ul style="list-style-type: none"> ✓ No, it is not satisfactory Any 3 x 1 ✓ Current ratio increased from 3.1 : 1 to 2.6 : 1. ✓ Acid test ratio decreased from 1.1 : 1 to 0.6 : 1 ✓ The business has too much stock on hand at the end of the period Business will experience difficulties in meeting its short-term obligations/current liabilities
2.4	Return on equity (Total: 3 marks) <ul style="list-style-type: none"> ✓ It increased from 11.3% to 50.2% ✓ Exceeds the return on investment of 6%. ✓ The owner should be happy with the good return
2.5	Solvency of the business (Total: 3 marks) <ul style="list-style-type: none"> ✓ The solvency ratio increased from 1.8 to 1.9 : 1 ✓ It is satisfactory because for every R1 owing in debts the business has assets to the value R1.90. ✓ The business will be able to meet its liabilities in case of insolvency
2.6	Gross profit percentage (Total: 3 marks) <ul style="list-style-type: none"> ✓ Yes Any 2 x 1 ✓ The sales increased from R930 000 to R1 200 000, which is an increase of 29% ✓ The gross profit increased from R210 000 to R423 000, which is an increase of 101%.

2.7	<p>Wage increases (Total: 6 marks)</p> <p> $2\,000 \times 12 = R\,24\,000$ $R\,200\,000 - R\,24\,000 = R\,176\,000$ $R\,176\,000 - R\,160\,000 = R\,16\,000$ </p> <p> $\frac{16\,000}{160\,000} \times \frac{100}{1} = 10\%$ </p> <p><u>Argument in favour of workers – any relevant motivation</u></p> <ul style="list-style-type: none"> • Inflation/standard of living/increase in profits/ increase in sales ✓ <p><u>Argument in favour of employer – any relevant opinion</u></p> <ul style="list-style-type: none"> • 10% higher than inflation • Only 29% increase in sales • Salaries are not the only operating expenses • They have employed an additional person to assist, which decreased their workload.
2.8	<p>Buying or renting property (Total: 3 marks)</p> <p>Yes / No ✓</p> <p>Buying property always better idea to renting since the rent has increased from R36 000 to R60 000 ✓</p> <p>Debt: Equity ratio is favourable – low geared <input type="checkbox"/></p> <p>The fixed deposit of R200 000 can be used to pay 25% of the property</p>
2.9	<p>Is the business sustainable? (Total: 2 marks)</p> <p>Yes ✓</p> <p>Acceptable reason ✓ <input type="checkbox"/></p> <p>Even though the mark-up increased from 30% to 60%, sales still increased. Return on equity increased to 50.2%, which is far greater than the return on outside investment.</p>

ACCOUNTING

GRADE 11

WRITTEN REPORT: TERM 1

TOPIC: FIXED ASSETS

DURATION: 1 HOUR

TOTAL MARKS: 50

ACCOUNTING GRADE 11
WRITTEN REPORT: TERM 1

You are the internal auditor of Midway Traders. The financial year ends on 28 February each year. Management requires you to provide them with a written report on the fixed assets of the business. The questions given below will form a guideline to write your report. The rubric further indicates the requirements from you and it shows how marks will be awarded to your final report.

GUIDELINES TO WRITE A REPORT:

1. Introduction:
Explain fixed assets and disposal of fixed assets. List all the fixed assets that the business has accumulated over the years.
2. Define a fixed asset register. Prepare a report to management on why it is important that the fixed assets must be recorded in a fixed asset registers.
3. Draw up the Asset Registers of trucks A, B and C to show management how to record the information on the asset register taking into account the following:
 - 3.1 Show all calculations as per answer sheet
 - 3.2 Should management consider the purchase of a new vehicle?
 - 3.3 Motivate by giving FIVE points quoting figures.
 - 3.4 Determine which one of three vehicles should be traded in and why.
4. Identify what internal control measures should be put in place to maintain proper maintenance of vehicles in the business.
5. Conclusion
Draw a conclusion on the importance of fixed assets management in a business.

INFORMATION IN THE RECORDS OF THE BUSINESS

1.

	<ul style="list-style-type: none"> Purchased on 1 March 2012 for R1 500 000.
	<ul style="list-style-type: none"> Truck A purchased on 1 March 2012 for R360 000. Truck B purchased on 1 December 2013 for R540 000. Truck C purchased on 1 September 2014 for R680 000. Depreciation is 20% p.a. on cost.
	<ul style="list-style-type: none"> Cost price of equipment on 1 March 2015 is R240 000. Accumulated depreciation is R90 000 at beginning of year. Old equipment purchased at cost price R60 000 was sold on 1 March 2015 for R15 000. The accumulated depreciation for this asset was R50 000 on the date of sale. New equipment purchased for R40 000 on 31 August 2015. Depreciation rate is 10% p.a. on carrying value.

2. The three vehicles are used for delivery purposes. The running costs of the vehicles are as follows:

	Truck A	Truck B	Truck C
Mileage travelled	90 000 km	100 000 km	50 000 km
Courier charges earned	R540 000	R440 000	R500 000
Repairs and maintenance	R28 000	R30 000	R18 000
Fuel and oil	R125 000	R180 000	R72 000

3. A new vehicle is advertised in February 2016 at R620 000. The new vehicle comes with a vehicle maintenance plan for 3 years at an extra cost of R50 000. It has a 5,6% savings on fuel consumption. The business wishes to purchase the new vehicle on 1 March 2016.

**ACCOUNTING GRADE 11
WRITTEN REPORT: TERM 1**

NAME OF LEARNER			
NAME OF SCHOOL		Time: 1 hour	Marks: 50

RUBRIC:

Criteria	MARKS					Learner mark
Introduction	2 marks	4 marks	6 marks			
	Briefly explains concepts of fixed assets and disposal of fixed assets	Explains fully the concepts of fixed assets and disposal of fixed assets and lists some of the assets	Explains fully the concepts of fixed assets and disposal of fixed assets and lists all of the assets			
Fixed Asset Register	1-2 marks	3-4 marks	5-6 marks	7-8 marks	9-10 marks	
	Gives a definition of a fixed asset register	Gives a definition of a fixed asset register and at least one importance of fixed assets	Gives a definition of a fixed asset register and explains more than one importance of fixed assets	Gives a definition of a fixed asset register and explains more than one importance of fixed assets. Is able to draw up and complete the asset register partially	Gives a definition of a fixed asset register and explains more than one importance of fixed assets. Is able to draw up and complete the asset register correctly	
Acquisition and disposal of asset	1-2 marks	3-4 marks	5-6 marks	7-8 marks	9-10 marks	
	Provides an opinion and provides 1 reason for the acquisition. Figures are quoted	Provides an opinion and provides 2 reasons for the acquisition. Figures are quoted	Provides an opinion and provides 3 reasons for the acquisition. Figures are quoted	Provides an opinion and provides 4 reasons for the acquisition. Figures are quoted	Provides an opinion and provides 5 reasons for the acquisition. Figures are quoted	
	2 mark	4 marks	6 marks	8 marks	10 marks	
	Indicates which vehicle to trade in	Indicates which vehicle to trade in and by discussing one vehicle's information	Indicates which vehicle to trade in and by discussing two vehicles' information	Indicates which vehicle to trade in and by discussing all three vehicles' information	Excellent decision showing great insight into the benefits of trading in a particular vehicle	
Internal control	1-2 marks	3-4 marks	5-6 marks	7-8 marks	9-10 marks	
	Explains 1 control measure	Explains 2 control measures	Explains 3 control measures	Explains 4 control measures	Explains 5 control measures	
Conclusion	2 Mark	4 marks				
	Has a brief conclusion	Provides a good conclusion				
TOTAL MARKS					50	

Marking guideline to assist when using the rubric

1. Fixed assets are the possessions of the business. They are intended to be kept for a long time, i.e. at least 12 months. They are physical and can be touched, and can be kept and used to run the business. They are subject to depreciation, which is calculated either at a fixed rate, i.e. cost price or diminishing balance. The calculation of depreciation can assist the business to decide whether to keep or to sell or trade in or dispose the asset. Examples of fixed assets listed in the task: Land and buildings, Vehicles and Equipment.
2. A fixed asset register is a list of the assets that a business owns. It records the assets owned by the business. It should indicate: the name of the asset, the date it was bought, purchase price, accumulated depreciation and the book value of the asset. It assists if the asset has to be sold; you need to sell it at the book value or more if you want to make a profit.

3. Trucks A, B and C Asset Registers

3.1 Asset Registers details

Truck A

Cost price = R360 000	Date purchased: 01 March 2012	Depreciation rate: 20% p.a. on cost price	
	Depreciation	Accumulated depreciation	Carrying/book value
28 Feb. 2013	R 72 000	R 72 000	R 288 000
28 Feb. 2014	R 72 000	R 144 000	R 216 000
28 Feb. 2015	R 72 000	R 216 000	R 144 000
28 Feb. 2016	R 72 000	R 288 000	R 72 000

Truck B

Cost price = R540 000	Date purchased: 01 December 2013	Depreciation rate: 20% p.a. on cost price	
	Depreciation	Accumulated depreciation	Carrying/book value
28 Feb. 2014	R 27 000	R 27 000	R 513 000
28 Feb. 2015	R 108 000	R 135 000	R 405 000
28 Feb. 2016	R 108 000	R 243 000	R 297 000

Truck C

Cost price = R680 000	Date purchased: 01 September 2014	Depreciation rate: 20% p.a. on cost price	
	Depreciation	Accumulated depreciation	Carrying/book value
28 Feb. 2015	R 68 000	R 68 000	R 612 000
28 Feb. 2016	R 136 000	R 204 000	R 476 000

28 Feb. 2016	R 136 000	R 204 000	R 476 000
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- 3.2 The new vehicle should be bought because it comes with a maintenance plan for 3 years. It also has a 5,6% savings on fuel consumption. The business will not be responsible for maintenance for 3 years.
- 3.3 Truck B has high repairs and maintenance compared to the other two trucks – R30 000 (Truck A = R28 000 and Truck C = R18 000). It has a higher mileage travelled though it will only be 2 years and 3 months old when the new vehicle is bought. The charges earned are less compared to truck A and C. It generates less income than the other two trucks.
- 3.4 Truck B should be traded in since it has a high fuel and oil consumption of R180 000. A tracker should be installed to guide or monitor the travelling of the trucks. Travelling mileage should be monitored daily and after every trip undertaken. Distances should be calculated and estimated for the trips that are undertaken by the trucks. Proper records of kilometres should be kept before and after every trip (logbook).

4. Internal control measures

Fixed assets should be well managed since they are subject to depreciation. They are important for the production of further income to the business. If they are properly managed they can be used for more than their life span. The business can also earn more money (profit) when selling them if they are still in a good condition.

5. Conclusion

Learners should conclude on the importance of fixed assets management in the business.

ACCOUNTING TERM 2 PROJECT

GRADE 11

QUESTION PAPER

DURATION: 2 DAYS PRIOR THE ADMINISTRATION OF THE TASK

FINANCIAL STATEMENTS OF PARTNERSHIPS

INSTRUCTIONS TO THE TEACHER:

- This information must be given to the learners two days prior to the administration of the task.
- The teacher must discuss the criteria used to assess the project with the learners.
- Learners should be provided with answer books on the date of the administration of this project.
- The project must be administered under the supervision of the teacher.

PARTNERSHIPS: FINANCIAL STATEMENTS

T. Thabo and L. Lethabo were trading as sole traders selling electronic appliances in Stilfontein. They were experiencing many challenges and their profitability was low. They decided to form a partnership business on 1 March 2015, trading as Rethabile Traders.

You are required to study the information below for the years ending 2016 and 2017. Use the guidelines below to prepare for this task.

GUIDELINES FOR THE RESEARCH PRIOR TO THE COMPLETION OF THE TASK

Focus on the following:

- Reasons for the formation of the partnership
- Agreement between the partners
- Compliance to IFRS and GAAP principles
- Interested stakeholders in the financial statements
- Analysis and Interpretation of financial statements with special reference to the following:
Profitability, liquidity, return and risk.

INFORMATION

RETHABILE TRADERS

Extract from the INCOME STATEMENT FOR THE PAST TWO YEARS

	Notes	R Feb. 2017	R Feb. 2016
Sales		5 443 200	4 641 000
Cost of sales		(3 888 000)	(3 570 000)
Gross profit		1 555 200	1 071 000
Other operating income		440 000	425 000
Gross operating income		1 995 200	1 496 000
Operating expenses		(1 600 550)	(1 215 000)
Operating profit		394 650	281 000
Interest income		40 000	40 000
Profit before operating expenses		434 650	321 000
Interest expense		(163 150)	(175 800)
Net profit		271 500	145 200

ASSETS		2017	2016
Non-current assets		1 250 000	1 100 000
Tangible/FIXED assets		750 000	600 000
Fixed deposit		500 000	500 000
Current assets		1 711 000	1 865 000
Inventories (all trading stock)		796 000	1 237 500
Trade and other receivables		110 000	87 500
Cash and cash equivalent		805 000	540 000
TOTAL ASSETS		2 961 000	2 965 000
EQUITY AND LIABILITIES			
Owners' equity		1 163 000	1 010 000
Capital	1	1 100 000	980 000
Current accounts	2	63 000	30 000
Non-current liabilities		1 150 000	1 360 000
Loan from Capita Bank (12% p.a.)		1 150 000	1 360 000
Current liabilities		648 000	595 000
Trade and other payables		648 000	595 000
TOTAL EQUITY AND LIABILITIES		2 961 000	2 965 000

NOTES TO FINANCIAL STATEMENTS ON 28 FEBRUARY 2017

1. CAPITAL ACCOUNTS

	T. THABO	L. LETHABO	TOTAL
Balance (1/03/16)	800 000	180 000	980 000
Additional capital contribution		270 000	270 000
	800 000	450 000	1 250 000
Withdrawal of capital	(150 000)		(150 000)
Balance (29/02/17)	650 000	450 000	1 100 000

8. CURRENT ACCOUNT

	T. THABO	L. LETHABO	TOTAL
Net profit as per Income Statement	84 450	187 050	271 500
Partners' salaries		127 000	127 000
Interest on capital	52 000	36 000	88 000
Partners' bonuses	5 150	5 150	10 300
Primary distribution of profit	57 150	168 150	225 300
Final distribution of profit	27 300	18 900	46 200
Drawings for the year	(63 500)	(175 000)	(238 500)
Undrawn profits (retained income) for the year	20 950	12 050	33 000
Balance at beginning of year	(1 250)	31 250	30 000
Balance at end of year	19 700	43 300	63 000

Total earned by each partner

	T. THABO	L. LETHABO	TOTAL
Salary	-	122 500	122 500
Interest on capital	52 000	36 000	88 000
Bonus to partners	5 150	5 150	10 300
Share on profit	27 300	1 890	46 200
	84 450	187 050	271 500

FINANCIAL INDICATORS

NO.	INDICATORS	Current year - 2017	Previous year - 2016
1	% gross profit on cost of sales	40%	30 %
2	% operating expenses on sales	29%	26%
3	% operating profit on sales	8%	9%
4	% net profit on sales	5%	3%
5	% return on equity	?	17%
6	% return earned by T. Thabo	?	9%
7	% return earned by L. Lethabo	?	21%
8	Solvency ratio	1,6 : 1	1,5 : 1
9	Debt: Equity ratio	?	1,3 : 1
10	Current ratio	2,6 : 1	3,1 : 1
11	Acid-test ratio	1,4 : 1	1,1 : 1
12	Debtors collection period	31 days	41 days
13	Creditors payment period	90 days	62 days

ACCOUNTING TERM 2 PROJECT

GRADE 11

Duration: 1 Hour

Total Marks: 50

QUESTION/ANSWER BOOKLET

NAME OF LEARNER: _____

NAME OF SCHOOL: _____

1. Mention any THREE clauses/terms which can be included in a Partnership Agreement (3)	
2. Discuss the importance of complying with the IFRS and GAAP principles in the preparation of financial statements (4)	
IFRS:	
GAAP:	
3. Mention any TWO (2) persons/stakeholders interested in scrutinising the Financial Statements and state the area of interest (4)	
Persons/ Stakeholders	Reasons for the interest in Financial Statements

4.1 Calculate the operating expenses on sales for both years and comment on the business control over its expenses. (8)

2017	2016

Comment:

4.2 What internal control measures must be put in place to improve the profitability of the business? Mention any TWO. (2)

5. Returns earned (12)

5.1 Calculate the returns earned by the partners and the business.

RETURN EARNED BY T. THABO	RETURN EARNED BY L. LETHABO	RETURN ON PARTNERS' EQUITY
$\frac{\text{Amount earned by the partner}}{\text{Average partner's equity}} \times \frac{100}{1}$	$\frac{\text{Amount earned by the partner}}{\text{Average partner's equity}} \times \frac{100}{1}$	

5.2 Should the partners be satisfied? Comment on the return.

5.3a) Why did partner Thabo not earn a salary?

b) Why did partner Thabo receive a bonus?

6 Quote any TWO liquidity financial indicators, trends and comment on each. (6)

7 Calculate and comment on the debt : equity ratio. (5)

Debt : equity ratio

Comment:

8 Discuss TWO arguments in favour of continuing to rent their premises, and TWO arguments to buy the property. (4)

Option 1: Buy property

OR

Option 2: Rent the premises

Total marks: 50

ACCOUNTING GRADE 11 TERM 2 PROJECT MEMORANDUM

1. Mention any THREE (3) clauses/terms which can be included in a Partnership Agreement (3) ✓✓✓

- Name of the business
- Product or service provided
- Capital contribution
- Sharing of profits and losses
- Amount of drawings taken by each partner
- Right of the partner to salary and interest on capital
- Admission of new partner
- Whether or not the books will audited and by whom
(any other relevant answer)

2. Discuss the importance of complying with the IFRS and GAAP principles in the preparation of financial statements (4)

IFRS:

International Financial Reporting Standards provide the guidelines for the preparation of financial statements of companies to ensure a degree of consistency in the reporting of accounting practices across the world ✓✓

GAAP:

Generally Accepted Accounting Principles – A widely accepted set of rules, standards and procedures for reporting financial information, as established by the Financial Accounting Standards Board ✓✓

3. Mention any TWO (2) persons/stakeholders interested in scrutinising the Financial Statements and state the area of interest (4)

Persons/ Stakeholders ✓✓	Reasons for the interest in Financial Statements ✓✓
• Partners	• To establish whether it is a worthwhile investment and whether to continue with the business
• Banking institutions	• To establish whether the overdraft or loan is secured
• Potential partners	• To see if it is viable to be a partner in the business for investment purposes
• Creditors	• To establish whether the business can be given credit and pay their debts
• SARS	• Taxation purposes – whether the correct taxes are paid on the profits of the business
• Auditors	• To ensure proper books are kept for the financial year
• Employees and their trade unions	• To ensure that adequate wages and salaries are paid to the employees

4.1. Calculate the operating expenses on sales for both years and comment on the business' control over its expenses. (8)

2017	2016
$\frac{\text{Operating expenses}}{\text{Sales}} \times \frac{100}{1}$	$\frac{\text{Operating expenses}}{\text{Sales}} \times \frac{100}{1}$
$\frac{1\,600\,580}{5\,443\,200} \times \frac{100}{1}$ = 29,4 % (✓)	$\frac{1\,215\,000}{4\,641\,000} \times \frac{100}{1}$ = 26,1% (✓)

Comments:

The operating expenses increased from 26,1% in 2016 to 29,4% in 2017 ✓

The business is not exercising good control over the expenses since the sales did not increase in line with the expenses ✓
(any valid answer)

4.2 What internal control measures must be put in place to improve the profitability of the business? Mention any TWO. (2) ✓✓

- Exercise strict control over expenses
- Security camera/guards to secure stock
- All business transactions must be properly authorised
- Division of duties to prevent theft or fraud
- Have proper documentation of all transactions, i.e. purchases, returns, discounts, interest, etc.
- All cash to be deposited by responsible personnel
- (any other valid answer)

5. Returns earned (12)

5.1. Calculate the returns earned by the partners and the business.

RETURN EARNED BY T. THABO	RETURN EARNED BY L. LETHABO	RETURN ON PARTNERS' EQUITY
$\frac{\text{Amount earned by the partner}}{\text{Average partner's equity}} \times \frac{100}{1}$	$\frac{\text{Amount earned by the partner}}{\text{Average partner's equity}} \times \frac{100}{1}$	$\frac{\text{Net Profit}}{\text{Average partners' equity}} \times \frac{100}{1}$
$\frac{84\,450}{(800\,000 + 650\,000 - 1\,250 + 19\,700)/2} \times \frac{100}{1}$ = $\frac{84\,450}{734\,225} \times \frac{100}{1}$ = 11,5% (✓)	$\frac{187\,050}{(180\,000 + 450\,000 + 31\,250 + 43\,300)/2} \times \frac{100}{1}$ = $\frac{187\,050}{352\,275} \times \frac{100}{1}$ = 53,1% (✓)	$\frac{271\,500}{(1\,163\,000 + 1\,010\,000)/2} \times \frac{100}{1}$ = $\frac{271\,500}{1\,086\,500} \times \frac{100}{1}$ = 24,98% or 25% (✓)

NB: No percentage sign, no mark

5.2. Should the partners be satisfied? Comment on the return

Yes ✓ (two valid comments) ✓✓

- Return on partners equity increased from 17% in 2016 to 24,98% in 2017
- All the return earnings are above alternative investment of ± 7%
- Thabo's earnings increased from 9% in 2016 to 11,5% in 2017
- Lethabo's earnings increased from 21% in 2016 to 53,1% in 2017

5.3. a) Why did partner Thabo not earn a salary?

He is a sleeping partner. ✓

b) Why did partner Thabo receive a bonus?

He must have rendered advisory services. ✓

6. Quote any TWO liquidity financial indicators, trends and comment on each. (6)

Indicator ✓✓

trend ✓✓

comment ✓✓

Current ratio decreased from 3.1:1 to 2.6:1 – There is an improvement

Acid test ratio increased from 1.1:1 to 1.4:1 – There is slight decline

Debtors collection period decreased from 41 to 31 days – There is an improvement

Creditors payment period increased from 62 to 90 days – There is an improvement

7. Calculate and comment on the debt : equity ratio. (5)

Debt : equity ratio

Non-current liability : Partners' equity

1 150 000 ✓ : 1 163 000 ✓

0,99 : 1 (✓)

Comment:

Debt equity ratio decreased from 1,3 : 1 to 0,99 : 1 ✓✓

Partial repayment of the loan was made R210 000 (R1 360 000 – R1 150 000). There is an improvement in the debt : equity ratio.

8. Discuss TWO arguments in favour of continuing to rent their premises, and TWO arguments to buy the property? (4)

Option 1: Buy property

They should buy their own property and save on rent. ✓

Property is an appreciating asset and can be sold at a profit at a later stage ✓

AND

Option 2: Rent the premises

The business has to pay rates and taxes on the property

Continuous repairs and maintenance will be necessary

Total marks: 50

ACCOUNTING PRESENTATION: TERM 3

GRADE 11

TOPIC: MANUFACTURING

TOTAL MARKS: 50

DUE DATE: _____

INSTRUCTIONS:

- You need to do a presentation that is interesting, informative, eye-catching and creative on the topic listed below.
- The presentation can take the form of a poster / PowerPoint / video clip.

TOPIC:

- Manufacturing (Proposal for funding from NYDA [National Youth Development Agency])
- The presentation must cover the following:
 1. Decide on a product that that you wish to produce and, motivate your choice.
 2. Consider the cost inputs if you were to produce 1 000 items
 3. Classify the abovementioned costs.
 4. Show the calculations of the following: unit cost price, selling price per unit and gross profit if 1 000 units were produced.
 5. Include any other relevant information that will help convince the NYDA to fund your proposed project

This task must be completed individually.

The clip can be between 5 and 10 minutes.

There will also be confidential peer evaluation.

COMMENTS:

The purpose of the presentation is to assess whether the learner understands / comprehends the content and is able to apply the knowledge.

1. Worked example

Learners usually struggle with calculations.

Calculations must be done systematically (step by step)

2. Classification of costs

Learners are expected to know how costs are grouped

N.B.:

➤ *Learners must work individually and submit their own written presentations.*

➤ *The option of poster / PowerPoint / video clip is given to accommodate learners with different backgrounds and access to resources / technology. The educator should determine which form of presentation will suit their learners best.*

ACCOUNTING	GRADE 11	PRESENTATION: TERM 3
RUBRIC FOR ASSESSMENT OF PRESENTATION		MARKS: 50

NAME OF LEARNER: _____

NAME OF SCHOOL: _____

Criteria	9-10 marks	6-8 marks	4-5 marks	0-3 marks	Learn mark
1. Introduction Hint: Clearly introduced. The product clearly identified	Excellent/interesting/ all information provided	Good/most information provided	Some information provided	No attempt/weak attempt	
2. Worked example Hint: Comprehensive example (identifying all the necessary items necessary in the manufacturing of the selected product)	Excellent, all the necessary information is reflected	Good, most of the necessary information is reflected	Satisfactory, some information reflected	Very poor presentation reflecting very little information	
3. Classification of costs Hint: All the relevant ledger accounts brought into account and are accurate	Excellent, all costs appropriately classified	Most costs appropriately classified	Some costs appropriately classified	Costs not classified	

4. Creativity Hint: Presentation itself: The appearance of the presentation (PowerPoint, poster, effort)	Out of the box	Good effort	Did not stimulate interest	No attempt/weak attempt	
Answer only 5 or 6					
5. *Final presentation with video clip	Excellent presentation skills, audible, well-paced, clear and interesting. Profitability and motivation.	Good presentation, mostly clear and audible, well-paced. Able to capture audience some of the time.	Some attempt to make reasonable presentation. Standard lesson presented.	Very poor presentation, inaudible and unclear.	
6. *Final presentation (Presentation without video clip)	Excellent presentation with confidence. All evidence submitted. Profitability and motivation.	Good presentation. Some supporting evidence submitted.	Average presentation. Supporting evidence lacking.	Very weak presentation.	
Total	50 marks				

***NOTE:** Only complete ONE of these options for a maximum of 10 marks for the final presentation.

ACCOUNTING**GRADE 12****WRITTEN REPORT: TERM 1****TOPIC: Companies and Internal Control****DURATION: 1 HOUR****TOTAL MARKS: 50**

ACCOUNTING GRADE 12 WRITTEN REPORT: TERM 1

TOPIC: COMPANIES AND CONTROL MEASURES

Naomi Nkosi is the sole owner (member) of **STONEDCHERRIE CC**.

Naomi is a fashion icon and top fashion and fabric designer. Her clothing label **STONEDCHERRIE**, established in 2000, is an African lifestyle brand that is expressive of urban culture in South Africa. For more information on this popular brand, view her website <http://www.stonedcherrrie.co.za>.

When Cape Town was nominated the Design Capital of the world, Naomi was inspired to expand her business to boost her market for ladies' fashion clothing and accessories. Since this vision will require additional capital, she is keen to adapt **STONEDCHERRIE CC** into a company, and hopes to achieve the level of triumph to list **STONEDCHERRIE** on the JSE in the near future. Considering the weak Rand and high interest rate currently, a loan at a financial institution is not an option.

She has approached you as an independent consultant to research the process involved in such a vision.

Naomi is uncertain as to the type of company to start and has asked that you research the following types of companies:

- A non-profit company
- A profit company state-owned
- A private company
- A personal liability company
- A public company

She also wants you to research **internal control measures** for her fixed assets, stock, debtors, cash and creditors.

You have looked for certain companies in the clothing industry that are currently listed on the JSE in order to assess whether such companies are generally doing well or not. You are told that the net asset value of Truworths shares is 4245 cents. Truworths is shown in the General Retailer section of the share page in the daily Business Report with the following figures:

Closing	High	Low	DM	YM%	DV	The General Retailer Index
7118	7274	7095	-138	677,9	340 000	changed from 7210 to 6515 over the past month.

REQUIRED:

		COMMENTS
1.	<p>Discuss the different types of companies according to the Companies Act 71 of 2008. In your discussion, indicate a definition; the number of shareholders; the number of directors and the name requirements.</p> <ul style="list-style-type: none"> ▪ Non-profit company ▪ Profit company state-owned ▪ Private company ▪ Personal liability company ▪ Public company 	<p><i>Learners need to have a conceptual understanding of the different categories of companies as stipulated in the Companies Act.</i></p>
2.	<p>Briefly outline:</p> <ul style="list-style-type: none"> ▪ The steps or processes needed to register a company and to list the company on the Johannesburg Stock Exchange (JSE) ▪ The different documents required to register a company, and to list the company on the JSE. 	<p><i>This question will allow learners to engage with the Companies Act.</i></p>
3.	<p>Once the company has been established, good internal control measures will be important to the successful operation of the business.</p> <p>Briefly explain the internal control measures that will need to be put in place to ensure effective control over the following areas:</p> <ul style="list-style-type: none"> ▪ Fixed assets ▪ Stock ▪ Debtors ▪ Cash including control of petty cash and cash float 	<p><i>Learners need to have a good grasp of internal control measures and how it applies to different areas of a business as outlined in this question.</i></p>
4.	<p>What would be the benefit of trading STONEDCHERRIE shares on the Johannesburg Stock Exchange? Mention THREE points.</p>	<p><i>Learners need to know the differences between a CC and a Company and the benefits of a Company over a CC</i></p>
5.	<p>Explain the figures for Truworths from the share page of the Business Report, and explain whether Naomi would be happy with such results for her business should she choose to list it on the JSE.</p>	<p><i>This question tests learners' understanding of net asset value, market price and issue price and the relationship between these three financial indicators.</i></p>

TOPIC: Companies and control measures

1. CLASSIFICATION OF COMPANIES

<ul style="list-style-type: none"> Non-profit company <ul style="list-style-type: none"> Description ✓ Directors ✓ Name ✓ 	<ul style="list-style-type: none"> This is a company incorporated for public benefit relating to cultural or social activities, or communal or group interests. The income and property of such a company are not distributable to its incorporators, members, directors, officers or persons related to any of them. Minimum of three directors Its name ends in “NPC”
Profit company <ul style="list-style-type: none"> State-owned company <ul style="list-style-type: none"> Description ✓ Directors ✓ Name ✓ 	<ul style="list-style-type: none"> A state-owned company is either a company defined as a “state-owned enterprise” in the Public Finance Management Act 1 of 1999 or a company owned by a municipality. The majority of the provisions of a public company will apply to state-owned companies as well. Its name ends in “SOC Ltd”
<ul style="list-style-type: none"> Private company <ul style="list-style-type: none"> Description ✓ Directors ✓ Name ✓ 	<ul style="list-style-type: none"> Private companies may not offer shares to the public and the transferability of their shares are also restricted. At least one director Its name ends in “(Pty) Ltd”
<ul style="list-style-type: none"> Personal liability company <ul style="list-style-type: none"> Description ✓ Directors ✓ Name ✓ 	<ul style="list-style-type: none"> The Personal Liability Company and its directors, past and present, are jointly liable for any debts and liabilities incurred. Registered by professionals such as doctors, lawyers, engineers, accountants, etc. Minimum of one director Its name ends in “Inc.”
<ul style="list-style-type: none"> Public company <ul style="list-style-type: none"> Description ✓ Directors ✓ Name ✓ 	<ul style="list-style-type: none"> A public limited company is a company which has offered shares to the general public and has limited liability. Its stock can be acquired by anyone and holders are only limited to potentially lose the amount paid for the shares At least three directors Its name ends in “Ltd”

2. STEPS OR PROCESSES TO REGISTER OR LIST A COMPANY (Rubric below)

STEPS TO REGISTER A COMPANY	STEPS TO LIST A COMPANY ON THE JSE
<ul style="list-style-type: none"> ▪ The persons wanting to incorporate a company, the promoters, must complete a Memorandum of Incorporation ▪ They will file a Notice of Incorporation with the Company and Intellectual Properties Commission ▪ The commission allocates a registration number 	<ul style="list-style-type: none"> ▪ Submission of letter of application. ▪ The applicant must appoint an auditor and/or reporting accountant ▪ Appointment of professional advisors ▪ Submitting the listing documentation to the JSE ▪ Playing a liaison role between the JSE and the company. ▪ A subscribed capital of at least R50 000 000 ▪ A satisfactory audited profit history for the preceding three financial years

DOCUMENTATION

REGISTERING A COMPANY	LISTING A COMPANY IN THE JSE
<ul style="list-style-type: none"> ▪ The company comes into existence when the commission issues a registration certificate ▪ In a public company a prospectus will be issued inviting the public to purchase shares ▪ First issue of shares to the public is known as the initial public offering (IPO) ▪ Successful applicants are issued with a share certificate 	<ul style="list-style-type: none"> ▪ The Memorandum of Incorporation ▪ Any trust deed or agreement affecting the governance of the applicant or the interest of shareholders ▪ Copies of any special or notarial contract bearing on the trust deed or MOI entered into within the last three years ▪ All material contracts (including patent rights and franchise agreements) ▪ In the case of a material contract not reduced to writing, a memorandum giving full particulars thereof

RUBRIC FOR ASSESSING STEPS AND DOCUMENTATION

	4 marks	3 marks	2 marks	0-1 mark
Steps to register a company	An excellent understanding of all the steps involved	A good understanding of most of the steps involved	A fair understanding of some of the steps involved	Lacks understanding of the steps involved
Documentation	An excellent understanding of all the necessary documentation related to the registration of a company	A good understanding of most of the necessary documentation related to the registration of a company	A fair understanding of some of the necessary documentation related to the registration of a company	Lacks understanding of some of the necessary documentation related to the registration of a company

Cash	<ul style="list-style-type: none"> ▪ Division of duties: Duties to be divided amongst employees so that the work of one serves as a check on the other in order to avoid abuse and fraud. ▪ Proper documentation: Receipts must be issued for all cash received and deposited. ▪ Regular deposits: Cash received must be deposited daily. ▪ Safeguarding: Ensure all cash is stored in a safe place.
Trading stock	<ul style="list-style-type: none"> ▪ Division of duties: Duties to be divided amongst employees so that the work of one serves as a check on the other in order to avoid abuse and fraud. Different persons to be responsible for ordering stock, receiving stock, paying creditors, etc. ▪ Verifying documentation: When stock arrives it must be checked and verified against delivery note, the invoice must be checked against the delivery note and all calculations should be verified. ▪ Safeguarding: All stock must be kept in a location with adequate security systems in place. ▪ Authorisation: A senior member of staff to authorise ordering of stock.
Fixed assets	<ul style="list-style-type: none"> ▪ Division of duties: Duties to be divided amongst employees so that the work of one serves as a check on the other in order to avoid abuse and fraud. ▪ Proper documentation: Keep accurate documentation for purchasing and disposal of fixed assets. Fixed assets must be properly recorded in the fixed asset register. ▪ Safeguarding: All fixed assets must be kept in safe place and must be adequately insured. ▪ The use of fixed assets must be properly controlled.
Debtors	<ul style="list-style-type: none"> ▪ Division of duties: Duties to be divided amongst employees so that the work of one serves as a check on the other in order to avoid abuse and fraud. ▪ Screening: All prospective debtors should be screened by checking credit references. ▪ Credit limits: Set clear credit limits. ▪ Credit terms: Ensure debtors know what the credit terms are and that they pay within the credit terms. Offer discounts for prompt or early payments. Charge interest on overdue accounts. ▪ Send statements and reminders on a regular basis.

RUBRIC FOR ASSESSING INTERNAL CONTROL

	3 marks	2 marks	1 mark	0 marks
Cash	An excellent understanding of internal control relating to cash with all of the aspects covered	A good understanding of internal control relating to cash with most of the aspects covered	A fair understanding of internal control relating to cash with some of the aspects covered	No understanding of internal control relating to cash
Trading stock	An excellent understanding of internal control relating to trading stock with all of the aspects covered	A good understanding of internal control relating to trading stock with most of the aspects covered	A fair understanding of internal control relating to trading stock with some of the aspects covered	No understanding of internal control relating to trading stock
Fixed assets	An excellent understanding of internal control relating to fixed assets with all of the aspects covered	A good understanding of internal control relating to fixed assets with most of the aspects covered	A fair understanding of internal control relating to fixed assets with some of the aspects covered	No understanding of internal control relating to fixed assets
Debtors	An excellent understanding of internal control relating to debtors with all of the aspects covered	A good understanding of internal control relating to debtors with most of the aspects covered	A fair understanding of internal control relating to debtors with some of the aspects covered	No understanding of internal control relating to debtors
Creditors	An excellent understanding of internal control relating to creditors with all of the aspects covered	A good understanding of internal control relating to creditors with most of the aspects covered	A fair understanding of internal control relating to creditors with some of the aspects covered	No understanding of internal control relating to creditors

4. BENEFITS OF LISTING A COMPANY AT THE JSE

Any three valid points ✓✓ ✓✓ ✓✓

Possible answers:

- It is often cheaper to raise equity capital rather than to rely on debt finance
- A listing will better enable the company to obtain other forms of finance, such as bank loans
- A listing enables a company to use its shares to fund acquisitions, as sellers are more likely to accept listed shares as consideration
- A listing will enhance the status of the company which will better enable the company to attract and maintain good employees
- Trade shares securely and effectively
- Market business to investors
- Attract local analyst coverage and media interest
- Enhance company's reputation and profile
- Enhance the ability to attract talent by offering share option incentives
- A listing facilitates broad-based economic empowerment

5. WILLINGNESS TO PURCHASE SHARES AT 75 CENTS

Explanation of Truworths figures from share page of Business Report:

- The share price is 7118c which is 138c lower than the previous day.
- This price is significantly higher than the NAV of 4245c.
- On that day, the highest price paid by a buyer was 7274, and the lowest was 7095.
- The share price has increased by 677,9% over the past year.
- 340 000 shares were sold on that day.
- The index for this sector decreased from 7210 to 6615 over the past year.

RUBRIC FOR ASSESSING INFORMATION ON SHARE PAGE

4 marks	3 marks	2 marks	0-1 mark
An excellent understanding of the information with all of the aspects covered	A good understanding of the information with most of the aspects covered	A fair understanding of the information with some of the aspects covered	A poor or no understanding of the information

Explanation of whether Naomi would be happy with such results for her business should she choose to list it on the JSE:

- Yes, the price is performing well as it greatly exceeds the NAV and has increased by a very large % over the past year.
- Yes, there is a high demand for shares in a clothing business such as Truworths.
- This is despite the fact that the General Retailing sector is not performing well as reflected by its index, yet a clothing business such as Truworths has out-performed the sector.

RUBRIC FOR RELATING INFORMATION TO NAOMI'S CIRCUMSTANCES

5 marks	3-4 marks	1-2 marks	0 marks
An excellent and valid interpretation of the information with all of the aspects covered	A good and valid interpretation of the information with most of the aspects covered	A fair interpretation of the information with some of the aspects covered	A poor or no valid interpretation of the information

ACCOUNTING TERM 2: PROJECT

GRADE 12

QUESTION PAPER

DURATION: TWO WEEKS

**Analysis & interpretation of published financial
statements**

MARKS: 50

GRADE 12 ACCOUNTING PROJECT

TOPIC: ANALYSIS OF PUBLISHED FINANCIAL STATEMENTS AND AUDIT REPORTS

DURATION: 2 WEEKS

MARKS: 50

- You are required to study the extracts and answer the questions below.
- Where comments on financial indicators are required, you must quote actual figures, ratios or percentages as evidence for your response.

INSTRUCTIONS TO TEACHER:

- The teacher will provide learners with extracts from the published annual report of a company listed on the JSE.
- The teacher chooses 4 or 5 different companies from the retail sector, and allocates them at random to the learners in the class. You will need to have a memo for all the companies that you will give to your learners to use.
- The information must be given to the learners a week prior to the administration of the task (ratios and analysis)
- The teacher must discuss the criteria used to assess the project with the learners.
- Learners should be provided with an answer book on the date of the administration of this project.
- The project must be administered under the supervision of the teacher.

REQUIRED:

These questions should only be given to the learners on the day when they will be assessed.

COMMENTS

1.	Calculate the following financial indicators for the two years: (a) % net profit after tax on turnover (b) % operating profit on turnover (c) % operating expenses on turnover (d) Current ratio (e) Acid test ratio (f) Debt : equity ratio (g) Solvency ratio (h) % return on average shareholders' equity (i) % return on average total capital employed (j) Earnings per share (k) Dividends per share (l) Net asset value per share	(12)	Learners need to know how to calculate financial indicators. Many of these indicators are common to sole traders in grade 10, partnerships in grade 11 and companies in grade 12. Learners need to be taught how the calculation can be identified or read from the actual financial indicator. The financial indicators therefore need to be taught from an understanding perspective and learners should not have to learn them in a rote manner. Learners might find that these indicators are quoted in the annual report, however the figures might differ from their calculations because of the methods used by the company (e.g. weighted average number of shares).
2.	Comment on whether the liquidity position of this company is satisfactory or not. Quote THREE relevant financial indicators to support your answer.	(3)	Learners need to know which financial indicators speak to liquidity. When commenting they need to mention the actual financial indicator (e.g. current ratio), the figures/ratio/% and the trend from the previous year. They should provide a general comment judging whether liquidity is satisfactory or not.
3.	Comment on this company's use of loans. Explain by quoting TWO financial indicators in your answer.	(4)	Learners need to know which financial indicators to quote when discussing loans.
4.	Should the shareholders be satisfied with the % return, earnings and dividends for the past financial year? Explain. Provide evidence to support your opinion.	(6)	Learners should know which financial indicators to quote when discussing the earnings of the shareholders. Questions 2, 3 and 4 require higher-order thinking skills
5.	Explain what is mentioned in the annual report about the share price on the JSE, and explain whether you would be prepared to buy shares in this company.	(4)	Learners are expected to compare the share price to the NAV.

6. Auditors' Report	
6.1 Who are the independent auditors of this company?	(1) Learners need to know the format of the audit report and where to find the information.
6.2 What type of report has the independent auditors given this company?	(1) Learners need to understand the different audit reports and when each of these are applicable.
6.3 Are the independent auditors satisfied with the financial statements of this company? Briefly explain.	(2) Learners need to understand the difference between internal and independent auditors and the role that each of these play.
6.4 Briefly explain how the role of the internal auditor differs from that of the independent auditor.	(2) The role of professional bodies like SAICA is important and learners need to understand why independent auditors belong to such a body.
6.5 Why is it important for an independent auditor to belong to a professional body like SAICA?	(2)
7. Directors' Report & Corporate Governance	
7.1 Identify the points mentioned in the formal Directors' Report, and explain why these points are significant to the readers of the annual report.	(4) The Directors' Report is an important part of the published financial statements. Learners need an understanding of the information such reports would contain and why.
7.2 Explain what is meant by good corporate governance, and explain the evidence that exists in the annual report that this company is committed to good corporate governance. Mention TWO points.	(6)
8. Comment on any other aspect of the annual report that would be significant to you as a potential shareholder in this company.	(3)

NAME OF LEARNER: _____

NAME OF SCHOOL: _____

RUBRIC FOR ASSESSMENT OF PROJECT

1.	Calculation of financial indicators. <i>MEMO TO BE DONE BY TEACHER</i>			(12)								
2.	Comment on liquidity, with evidence. <table><tr><td>3 marks</td><td>2 marks</td><td>0-1 mark</td></tr><tr><td>Excellent explanation of three valid indicators.</td><td>Good explanation of two valid indicators / Fair explanation of three indicators.</td><td>Poor or incorrect explanation of indicators.</td></tr></table>			3 marks	2 marks	0-1 mark	Excellent explanation of three valid indicators.	Good explanation of two valid indicators / Fair explanation of three indicators.	Poor or incorrect explanation of indicators.	(3)		
3 marks	2 marks	0-1 mark										
Excellent explanation of three valid indicators.	Good explanation of two valid indicators / Fair explanation of three indicators.	Poor or incorrect explanation of indicators.										
3.	Comment on loans, gearing and risk, with evidence. <table><tr><td>4 marks</td><td>3 marks</td><td>2 marks</td><td>0-1 mark</td></tr><tr><td>Excellent explanation of ROTCE and comparison to interest rate/gearing, plus excellent explanation of D/E ratio and risk.</td><td>Good explanation of ROTCE and comparison to interest rate/gearing, plus good explanation of D/E ratio and risk.</td><td>Partially good answers explaining ROTCE or D/E ratio.</td><td>Poor or incorrect explanation of indicators.</td></tr></table>			4 marks	3 marks	2 marks	0-1 mark	Excellent explanation of ROTCE and comparison to interest rate/gearing, plus excellent explanation of D/E ratio and risk.	Good explanation of ROTCE and comparison to interest rate/gearing, plus good explanation of D/E ratio and risk.	Partially good answers explaining ROTCE or D/E ratio.	Poor or incorrect explanation of indicators.	(4)
4 marks	3 marks	2 marks	0-1 mark									
Excellent explanation of ROTCE and comparison to interest rate/gearing, plus excellent explanation of D/E ratio and risk.	Good explanation of ROTCE and comparison to interest rate/gearing, plus good explanation of D/E ratio and risk.	Partially good answers explaining ROTCE or D/E ratio.	Poor or incorrect explanation of indicators.									
4.	Comment on % return, earnings and dividends, with evidence. <table><tr><td>6 marks</td><td>4-5 marks</td><td>2-3 marks</td><td>0-1 mark</td></tr><tr><td>Excellent explanation of ROSHE, DPS & EPS, and comparison of DPS to EPS.</td><td>Good explanation of ROSHE, DPS & EPS.</td><td>Partially good answers explaining ROSHE, DPS & EPS.</td><td>Poor or incorrect explanation of indicators.</td></tr></table>			6 marks	4-5 marks	2-3 marks	0-1 mark	Excellent explanation of ROSHE, DPS & EPS, and comparison of DPS to EPS.	Good explanation of ROSHE, DPS & EPS.	Partially good answers explaining ROSHE, DPS & EPS.	Poor or incorrect explanation of indicators.	(6)
6 marks	4-5 marks	2-3 marks	0-1 mark									
Excellent explanation of ROSHE, DPS & EPS, and comparison of DPS to EPS.	Good explanation of ROSHE, DPS & EPS.	Partially good answers explaining ROSHE, DPS & EPS.	Poor or incorrect explanation of indicators.									
5.	Explain what is mentioned in the annual report about the share price on the JSE, and explain whether you would be prepared to buy shares in this company. <table><tr><td>4 marks</td><td>3 marks</td><td>2 marks</td><td>0-1 mark</td></tr><tr><td>Excellent explanation of share price, with insight, and comparison to NAV.</td><td>Good explanation of share price, and comparison to NAV.</td><td>Partially good answers explaining share price and NAV.</td><td>Poor or incorrect explanation of share price.</td></tr></table>			4 marks	3 marks	2 marks	0-1 mark	Excellent explanation of share price, with insight, and comparison to NAV.	Good explanation of share price, and comparison to NAV.	Partially good answers explaining share price and NAV.	Poor or incorrect explanation of share price.	(4)
4 marks	3 marks	2 marks	0-1 mark									
Excellent explanation of share price, with insight, and comparison to NAV.	Good explanation of share price, and comparison to NAV.	Partially good answers explaining share price and NAV.	Poor or incorrect explanation of share price.									

5.

Auditors' Report		
6.1	Who are the independent auditors of this company? <i>MEMO TO BE DONE BY TEACHER</i>	(1)
6.2	What type of report has the independent auditors given this company? <i>MEMO TO BE DONE BY TEACHER</i>	(1)
6.3	Are the independent auditors satisfied with the financial statements of this company? Briefly explain. <i>MEMO TO BE DONE BY TEACHER</i>	(2)
6.4	Briefly explain how the role of the internal auditor differs from that of the independent auditor. Good explanation = 2 marks; Satisfactory = 1 mark; Incorrect = 1 mark	(2)
6.5	Why is it important for an independent auditor to belong to a professional body like SAICA? Good explanation = 2 marks; Satisfactory = 1 mark; Incorrect = 1 mark	(2)

7.

Directors' Report & Corporate Governance										
7.1	Identify the points mentioned in the formal Directors' Report, and explain why these points are significant to the readers of the annual report. <i>MEMO TO BE DONE BY TEACHER</i>	(4)								
7.2	Explain what is meant by good corporate governance: Good explanation = 2 marks; Satisfactory = 1 mark; Incorrect = 1 mark Explain the evidence that exists in the annual report that this company is committed to good corporate governance. Mention TWO points. <table><tr><th>4 marks</th><th>3 marks</th><th>2 marks</th><th>0-1 mark</th></tr><tr><td>Two appropriate points identified, with good explanation of relevance to corporate governance.</td><td>Two appropriate points identified, with reasonable explanation of relevance to corporate governance.</td><td>One appropriate point identified, with reasonable explanation of relevance to corporate governance.</td><td>Poor or no valid explanation.</td></tr></table>	4 marks	3 marks	2 marks	0-1 mark	Two appropriate points identified, with good explanation of relevance to corporate governance.	Two appropriate points identified, with reasonable explanation of relevance to corporate governance.	One appropriate point identified, with reasonable explanation of relevance to corporate governance.	Poor or no valid explanation.	(6)
4 marks	3 marks	2 marks	0-1 mark							
Two appropriate points identified, with good explanation of relevance to corporate governance.	Two appropriate points identified, with reasonable explanation of relevance to corporate governance.	One appropriate point identified, with reasonable explanation of relevance to corporate governance.	Poor or no valid explanation.							

3.

Comment on any other aspect of the annual report that would be significant to you as a potential shareholder in this company.			
3 marks	2 marks	0-1 mark	
Excellent explanation of a relevant and significant aspect.	Good explanation of a relevant and significant aspect.	Poor or no explanation of a relevant and significant aspect.	(3)

TOTAL MARKS: 50

QUESTION 1 BUDGETING**(25 marks; 25 minutes)**

Comfy Sofa is a business operating in Parys in the Free State. They sell one type of sofa/couch for cash and on credit. The business has been in operation for six years. Until September 2016 it has been the only business in Parys selling sofas.

On 1 October 2016, a competitor opened a store in Parys that sells a variety of sofas operating on a cash basis only.

You are presented with the projected and actual figures for Comfy Sofa for September and October 2016. The owner, Charles Comfortable, is very concerned with the results reflected in the October figures, particularly the negative cash balance at the end of October 2016. He has asked you to assist him in analysing the results and finding a solution to his cash problem.

REQUIRED:

1. Refer to the Projected Income Statement to calculate the following:
 - 1.1.1 The projected mark-up % (2)
 - 1.1.2 The mark-up % achieved in October 2016 (2)
 - 1.1.3 % operating profit on turnover achieved in October 2016 (2)
2. The owner has realised that the competitor has negatively impacted on his business.
 - 2.1 Comment on how the new competitor has affected the sales of Comfy Sofa. Provide TWO points with figures to support your answer. (4)
 - 2.2 Explain how Comfy Sofa has responded to this problem. Provide THREE points with figures. (6)
3. The owner requires your opinion on certain matters.
 - 3.1 Comment on the control over bad debts. Provide figures to support your comment. (4)

- 3.2 Explain why the owner should be concerned about the cash balances. Provide figures to support your opinion. (2)
- 3.3 Provide THREE ways in which the owner can improve the cash balance in future. (3)

INFORMATION:

A. GENERAL INFORMATION:

- The business budgets on selling 450 sofas per month.
- The stock of sofas is replaced in the month of sale.
- Suppliers are paid in the month of purchase.
- The owner withdraws R30 000 cash every month. In October his family went on a holiday overseas and he increased his cash withdrawal to R65 000.

B. Extract from the Cash Budget:

	SEPTEMBER 2016		OCTOBER 2016	
	PROJECTED	ACTUAL	PROJECTED	ACTUAL
Cash surplus (deficit) for month	176 000	200 000	192 000	(704 000)
Cash at beginning of month	168 000	170 000	344 000	370 000
Cash at end of month	344 000	370 000	536 000	(334 000)

C. Extract from the Projected Income Statement:

	SEPTEMBER 2016		OCTOBER 2016	
	PROJECTED	ACTUAL	PROJECTED	ACTUAL
Number of sofas sold	450 sofas	560 sofas	450 sofas	380 sofas
Cash sales	1 920 000	2 480 000	1 920 000	460 000
Credit sales	480 000	520 000	480 000	1 440 000
Total sales	2 400 000	3 000 000	2 400 000	1 900 000
Cost of sales	(1 440 000)	(1 800 000)	(1 440 000)	(1 187 500)
Gross profit	960 000	1 200 000	960 000	712 500
Operating expenses	(497 500)	(521 500)	(540 580)	(675 450)
Sundry expenses	125 000	125 000	137 500	185 000
Salaries and wages	58 000	58 000	63 800	63 800
Advertising	16 000	16 000	17 000	51 000
Delivery costs	0	0	0	272 000
Depreciation	6 500	6 500	25 000	25 000
Rent expense	44 000	44 000	49 280	54 650
Bad debts	8 000	12 000	8 000	24 000
Operating profit	462 500	678 500	419 420	37 050

QUESTION 2 MANUFACTURING**(25 marks; 35 minutes)**

You are provided with information relating to Ace Clothing for the year ended 31 October 2016.

The owner of the business is Andy Ace. The business consists of two factories operating independently in different parts of the town, each with their own factory foreman/manager.

One of the factories produces Ace Blazers and the other produces Ace Tracksuits. Andy has compared the profit he has earned over the past two years (2016 and 2015) and has found that it has increased by more than R400 000. However, he is still not satisfied with the results as he has invested a lot of his personal capital in the business.

REQUIRED:

- 2.1 Provide two reasons, each with calculations, to explain the increase in the direct labour cost of producing blazers. Provide two points of advice to Andy. (6)
- 2.2 Andy does not know how to calculate the break-even point. Give the workings to prove that the 2016 break-even point of 10 095 units for blazers is in fact correct. (4)
- 2.3 Comment on the changes in units of blazers and tracksuits produced in comparison to the break-even points for the past two years. Quote figures to support your answer. (4)
- 2.4 Refer to Information A (v.) for the decision taken in respect of blazers.
- Calculate the % increase in the selling price of blazers.
 - Explain whether or not this has benefited the business. (3)
- 2.5 Consider the Information A (vi.) for the decision taken in respect of Ace Tracksuits as well as all costs associated with the tracksuits.
- Explain how this decision led to changes in the variable and overhead costs relating to Ace Tracksuits. Quote / calculate figures for the changes and provide possible reasons for the changes. (6)
 - Explain whether the selling price of the tracksuits is appropriate or not. Quote figures. (2)

INFORMATION:**A. Background information:**

- i. The inflation rate has been 6% for the past two years.
- ii. Andy currently pays a fixed annual salary of R381 600 to each factory foreman/manager. This represents a 6% increase on the 2015 figure.
- iii. The factory premises are rented at a fixed monthly rental. This also increased in line with inflation from the beginning of the financial year.
- iv. Andy allows his factory foremen/managers to make decisions relating to their factories, but their decisions have to be approved by him.
- v. Gerry, the factory foreman/manager of Ace Blazers, was pleased that blazers sold well in 2015. A decision was made to adjust the price of blazers significantly in 2016.

- vi. Ayanda, the factory foreman/manager of Ace Tracksuits, felt that they should produce better quality tracksuits as other firms in town were producing only cheaper tracksuits. A decision was made to improve the design and fabric of the tracksuits in 2016, and to rent extra floor space for the factory.

B. The accountant has identified the following information:

Manager / foreman:	ACE BLAZERS Gerry		ACE TRACKSUITS Ayanda	
	2016	2015	2016	2015
General information:				
Total fixed costs (factory overhead & administration costs)	R1 484 000	R1 400 000	R1 900 000	R1 400 000
Net profit	R103 600	R490 000	R1 138 000	R528 500

Variable costs per unit:

Direct material costs per unit	R91,00	R95,00	R168,00	R110,00
Direct labour costs per unit	R88,00	R74,00	R80,00	R93,00
Selling & distribution costs per unit	R24,00	R16,00	R12,00	R12,00
Total variable costs per unit	R203,00	R185,00	R260,00	R215,00

Additional information / calculations:

Selling price per unit charged by Ace Clothing	R350,00	R290,00	R358,00	R348,00
Selling price of competitors	R300,00	R290,00	R205,00	R220,00
Number of units made and sold	10 800	18 000	31 000	14 500
Break-even point	10 095	13 333	19 388	10 526

25

TOTAL MARKS: 50

ACCOUNTING GRADE 12 CASE STUDY: TERM 3

TOPIC: BUDGETING & MANUFACTURING

DURATION: 60 minutes

Marks: 50 marks

NAME OF LEARNER: _____

NAME OF SCHOOL: _____

	MAXIMUM MARKS	MARKS AWARDED
QUESTION 1: BUDGETING	25	
QUESTION 2: MANUFACTURING	25	
TOTAL MARKS	50	

QUESTION 1 BUDGETING

1.1 Refer to the Projected Income Statement to calculate the following:

1.1.1 The projected mark-up %

--

2

1.1.2 The mark-up % achieved in October 2016

--

2

1.1.3 % operating profit on turnover achieved in October 2016

--

2

2. The owner has realised that the competitor has negatively impacted on his business.

2.1 Comment on how the new competitor has affected the sales of Comfy Sofa. Provide TWO points with figures to support your answer.

--

4

2.2

Explain how Comfy Sofa has responded to this problem. Provide THREE points with figures.

Point 1	
Point 2	
Point 3	

6

3.

The owner requires your opinion on certain matters.

3.1

Comment on the control over bad debts. Provide figures to support your comment.

4

3.2

Explain why the owner should be concerned about the cash balances. Provide figures to support your opinion.

2

3.3

Provide THREE ways in which the owner can improve the cash balance in future.

3

TOTAL
25

QUESTION 2

MANUFACTURING

2.1 Provide two reasons, each with calculations, to explain the increase in the direct labour cost of producing blazers. Provide two points of advice to Andy.

	Reason 1	Reason 2
Explanation		
Calculation		
Advice		

6

2.2 Andy does not know how to calculate the break-even point. Give the workings to prove that the 2016 break-even point of 10 095 units for blazers is in fact correct.

4

2.3 Comment on the changes in the units produced in comparison to the break-even points for blazers and tracksuits for the past two years. Quote figures to support your answer.

	Explanation with figures
Blazers	
Tracksuits	

4

2.4

Refer to Information A (v.) for the decision taken in respect of blazers.

Calculate the % increase in the selling price of blazers.

Explain whether or not this has benefited the business.

3

2.5

Consider the Information A (vi.) for the decision taken in respect of Ace Tracksuits as well as all costs associated with the tracksuits.

Explain how this decision led to changes in the variable and overhead costs relating to Ace Tracksuits. Quote / calculate figures for the changes and provide possible reasons for the changes.

Explain whether the selling price of the tracksuits is appropriate or not. Quote figures.

8

TOTAL
25

QUESTION 1 BUDGETING

Marks: 25

1.1 Refer to the Projected Income Statement to calculate the following:

1.1.1 The projected mark-up %

$$\frac{960\,000}{1\,440\,000} \times \frac{100}{1}$$

$$= 66,67\% \checkmark\checkmark$$

2

1.1.2 The mark-up % achieved in October 2016

$$\frac{712\,500}{1\,187\,500} \times \frac{100}{1}$$

$$= 60\% \checkmark\checkmark$$

2

1.1.3 % operating profit on turnover achieved in October 2016

$$\frac{37\,050}{1\,900\,000} \times \frac{100}{1}$$

$$= 19,5\% \checkmark\checkmark$$

2

2. The owner has realised that the competitor has negatively impacted on his business.

2.1 Comment on how the new competitor has affected the sales of Comfy Sofa. Provide TWO points with figures to support your answer.

Two valid points $\checkmark\checkmark$ $\checkmark\checkmark$

Possible responses:

- Cash sales only 24% of projected amount
- Total sales (R1 900 000) less than projected (R2 400 000)
- Gross profit (R712 500) less than projected (R960 000)
- Number of sofas sold (380) less than projected (450)

4

2.2 Explain how Comfy Sofa has responded to this problem. Provide THREE points with figures.

Explanations: ✓ ✓ ✓ Figures ✓ ✓ ✓

Point 1	They increased credit sales (R480 000 was budgeted but R1 440 000 was sold on credit).
Point 2	They improved their service by offering the delivery service to customers at no charge (Budgeted 0 but spent R272 000).
Point 3	They increased their advertising expenses to R51 000 (Budgeted R17 000)

6

3. The owner requires your opinion on certain matters.

3.1 Comment on the control over bad debts. Provide figures to support your comment.

Excellent answer with figures = 4 marks; Good = 3 marks; Satisfactory = 2 marks; Partly right = 1 mark; Poor/Incorrect = 0 marks

Credit sales exceeded projections by 8,3% in Sept, and by 200% in Oct. Bad debts exceeded projections by 50% in Sept and by 200% in Oct.

Increased credit sales will lead to an increase in bad debts. However, the full effect might only be felt in the months following the credit sales. It is a concern that the bad debts exceeded projections in September already. The reasons need to be investigated (i.e. poor screening / incorrect budgeting).

4

3.2 Explain why the owner should be concerned about the cash balances. Provide figures to support your opinion.

They projected a cash balance of R536 000 at the end of October 2016. They experienced a bank overdraft of R334 000 at the end of October. If this trend continues, the overdraft will get bigger.

2

3.3 Provide THREE ways in which the owner can improve the cash balance in future.

Three valid points ✓ ✓ ✓

Possible responses:

- Encourage debtors to pay faster
- Revisit the decision of free delivery to clients
- Limit cash withdrawals as the business cannot afford it
- Consider introducing a partner to raise capital
- Consider renting cheaper premises (rent increased by 24,2%)
- Negotiate longer credit terms with suppliers

3

TOTAL

25

QUESTION 2

MANUFACTURING

Marks:

25

2.1

Provide two reasons, each with calculations, to explain the increase in the direct labour cost of producing blazers. Provide two points of advice to Andy.

	Reason 1	Reason 2
Explanation	Inflation ✓	Inefficiency ✓
Calculation	6% of R74,00 = R4,44 ✓	R14,00 – R4,44 = R9,56 ✓ i.e. 12,9% due to inefficiency OR: $14 \div 74 \times 100 = 18,9\%$ Less 6% inflation = 12,9%
Advice	Maintain inflationary increases as it is fair and the employees will expect it. ✓	Train the workers to be more efficient / Supervise factory staff more closely. ✓

6

2.2

Andy does not know how to calculate the break-even point. Give the workings to prove that the 2016 break-even point of 10 095 units for blazers is in fact correct.

$$\frac{\text{Fixed costs}}{\text{SP} - \text{VC/u}} = \frac{1\,484\,000}{350 - 203} = \frac{1\,484\,000}{147} = 10\,095$$

4

2.3

Comment on the changes in the units produced in comparison to the break-even points for blazers and tracksuits for the past two years. Quote figures to support your answer.

	Explanation with figures
Blazers	✓✓ In 2016, they produced only 705 units (7%) more than BEP compared to 4 667 units (35%) in 2015. OR The BEP decreased from 13 333 to 10 095 (by 3 238 units / 24% decrease) while units produced decreased (at a greater rate) from 18 000 to 10 800 (by 7 200 units / 40% decline).
Tracksuits	✓✓ In 2016, they produced 11 612 units (60%) more than BEP compared to 3 974 units (38%) in 2015. OR The BEP increased from 10 526 to 19 388 (by 8 862 units / 84%) while units produced increased (even more) from 14 500 to 31 000 (by 16 500 units / 114% improvement).

4

2.4

Refer to Information A (v.) for the decision taken in respect of blazers.

Calculate the % increase in the selling price of blazers.

$$60 \div 290 \times 100 = 20,7\% \checkmark \checkmark$$

Explain whether or not this has benefited the business.

The business has not benefited because sales dropped from 18 000 units to 10 800 **OR** sales decreased from R5,22m to R3,78m (or R1,44m or 28%) **OR** net profit decreased from R490 000 to R103 600 (or R386 400 or 79%) \checkmark

3

2.5

Consider the Information A (vi.) for the decision taken in respect of Ace Tracksuits as well as all costs associated with the tracksuits.

Explain how this decision led to changes in the variable and overhead costs relating to Ace Tracksuits. Quote / calculate figures for the changes and provide possible reasons for the changes.

- The better-quality fabric resulted in DMC increasing by R58 per unit (53%). \checkmark one mark for comment with figures
- The workers have been more efficient, possibly because the better-quality fabric is easier to use; this is a saving of R13 per unit (or 14%). \checkmark one mark for comment with figures
- Higher rent and salaries led to an increase of R500 000 in fixed costs. \checkmark one mark for comment with figures
- However, economies of scale benefited the business \checkmark as the increase in production and sales means that fixed costs per unit have dropped from R97 \checkmark to R61 \checkmark per unit. one mark for comment, two marks for figures

Explain whether the selling price of the tracksuits is appropriate or not. Quote figures.

$\checkmark \checkmark$

The small increase of only R10 (or 2,8%), together with the higher quality led to increased sales by 16 500 units. With the high increase in fabric cost (R58 per unit), the R10 increase is probably too low.

OR

Customers obviously think that the low increase of R10 is very attractive as sales have increased by 16 500 units for a product of high quality, so the price should be maintained.

OR

Prices charged by competitors are R153 lower, but customers obviously appreciate the better quality of the Ace tracksuits.

8

TOTAL
25

TOTAL MARKS: 50



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