



basic education

Department:
Basic Education
REPUBLIC OF SOUTH AFRICA

SENIOR CERTIFICATE EXAMINATIONS/ NATIONAL SENIOR CERTIFICATE EXAMINATIONS

ACCOUNTING

2019

MARKING GUIDELINES

MARKS: 300

MARKING PRINCIPLES:

1. Unless otherwise stated in the marking guideline, penalties for foreign items are applied only if the candidate is not losing marks elsewhere in the question for that item (no penalty for misplaced item). No double penalty applied.
2. Penalties for placement or poor presentation (e.g. details) are applied only if the candidate is earning marks on the figures for that item.
3. Full marks for correct answer. If answer incorrect, mark the workings provided.
4. If a pre-adjustment figure is shown as a final figure, allocate the part-mark for the working for that figure (not the method mark for the answer). Note: if figures are stipulated in memo for components of workings, these do not carry the method mark for final answer as well.
5. Unless otherwise indicated, the positive or negative effect of any figure must be considered to award the mark. If no + or – sign or bracket is provided, assume that the figure is positive.
6. Where indicated, part-marks may be awarded to differentiate between differing qualities of answers from candidates.
7. This memorandum is not for public distribution, as certain items might imply incorrect treatment. The adjustments made are due to nuances in certain questions.
8. Where penalties are applied, the marks for that section of the question cannot be a final negative.
9. Where method marks are awarded for operation, the marker must inspect the reasonableness of the answer and at least one part must be correct before awarding the mark.
10. Operation means 'check operation'. 'One part correct' means operation and one part correct. Note: check operation must be +, -, x, ÷, or per memo.
11. In calculations, do not award marks for workings if numerator & denominator are swapped – this also applies to ratios.
12. In awarding method marks, ensure that candidates do not get full marks for any item that is incorrect at least in part. Indicate with a ☒.
13. Be aware of candidates who provide valid alternatives beyond the marking guideline.
14. Codes: f = foreign item; p = placement/presentation.

These marking guidelines consist of 15 pages.

QUESTION 1

1.1

1.1.1	True	✓
1.1.2	True	✓
1.1.3	False	✓
1.1.4	True	✓

4

1.2

Calculate the amount receivable from or payable to SARS for VAT on 30 April 2019.

Mark one line only. Cannot mix signs. Inspect candidates' responses. Award highest mark.

$$\begin{array}{cccccccc} \checkmark & \checkmark & \checkmark & \checkmark\checkmark & \checkmark\checkmark & \checkmark\checkmark & \checkmark & \text{One part correct} \\ 15\,890 & - & 1\,470 & + & 3\,075 & - & 1\,305 & - & 33\,600 & + & 51\,750 & = & 34\,340 \\ & & & & & & & & & & & & & 224\,000 \times 15\% \end{array}$$

OR

$$- 15\,890 + 1\,470 - 3\,075 + 1\,305 + 33\,600 - 51\,750 = - 34\,340$$

Mark one "account"/workings only. Inspect candidates' responses. Award highest mark.
Items marked * may be shown on the opposite side in brackets.

VAT CONTROL	
33 600	15 890
*1 305	51 750
*1 470	*3 075
34 340	
70 715	70 715

VAT CONTROL	
15 890	33 600
51 750	*1 305
*3 075	*1 470
	34 340
70 715	70 715

Receivable/Payable: Payable ✓ Do not accept Receivable (irrespective of workings)

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1.3 BANK RECONCILIATION

1.3.1 Calculate the correct Bank Account balance on 31 May 2019.

Provisional Bank balance	R19 400
Cheque 654	+ 2 350 ✓
Theft of cash	- 31 560 ✓✓
Bank charges	- 1 060 ✓
Interest income	+313 ✓
Correction EFT two marks or 0	+ 900 ✓✓ 6 578-5 678
Correct Bank balance	- 9 657 ✓ One part correct

CRJ:
 $2\ 350 + 313 + 900 = 3\ 563$

CPJ:
 $31\ 560 + 1\ 060 = 32\ 620$

Bank Balance
 $19\ 400 + 3\ 563 - 32\ 620 = (9\ 657)$

-1 Foreign items, max -2 if mark is earned in BRS

Favourable/Unfavourable: Unfavourable See calculation above

9

1.3.2 Bank Reconciliation Statement on 31 May 2019

If candidates use 1-column method and start with Bank ledger account, +ve and -ve signs will be reversed.

	Alternative	DEBIT	CREDIT
Balance as per Bank Statement	(2 700)	2 700 ✓ Balancing figure	
Outstanding deposit	21 343		21 343 ✓
Outstanding cheques:			
705	(9 450)	9 450 ✓	
797	(14 350)	14 350 ✓	
Debit deposit erroneously credit	(4 500)	4 500 ✓✓	
Balance as per bank account	(9 657)		9 657 ✓ See 1.3.1
-1 Foreign items, max -2 if mark is earned in bank calculation above		31 000	31 000

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1.3.3 State TWO internal control measures that the business can use to ensure that this will not happen in the future.

Possible responses for two marks: ✓✓ ✓✓ Part marks for partially correct answer

- Encourage debtors to use EFTs and internet banking.
- Get other people to handle matters concerning cash (Division / Rotation of duties) also for two marks
- SMS notifications from the bank for all transactions.
- Use security companies to collect/transit the money
- Check deposits daily / Check deposits to receipts

4

TOTAL MARKS

35

QUESTION 2

2.1

2.1.1	FIFO ✓
2.1.2	Perpetual ✓
2.1.3	Expense ✓

3

2.2 PHOTO-FIX TRADERS

2.2.1 Calculate:

Value of closing stock of cameras

435 500 (6 x 5 500)	70 x 5 750	145 000 (10 x R4 000)	25 x 4 200
33 000	+ 402 500	+ 40 000	+ 105 000
✓✓	✓✓	✓✓	✓✓
= 580 500 <input checked="" type="checkbox"/> one part correct			

OR: Using COS to calculate stock

one mark 110 000	one mark + 1 104 000	one mark + 1 380 000	– 2 013 500 (77 000 + 977 500 + 560 000 + 399 000) two marks one mark one mark one mark
= 580 500 method mark			

9

2.2.2

Value of closing stock of photo frames

115 200 two marks 7 200 ✓	110 700 three marks + 108 000 ✓	– 4 500 ✓	x 80 ✓
= 11 808 <input checked="" type="checkbox"/> one part correct if multiplied by 80			
60 ✓	+ 720 ✓	– 30 ✓	
750 three marks R147,60 six marks			

8

2.2.3

The owner suspects that photo frames are being stolen. Provide a calculation to confirm his suspicions.

93 three marks ✓✓ ✓ ✓ 750 – 657 – 80	= 13 <input checked="" type="checkbox"/> one part correct
(60 + 720 – 30) one mark if incorrect but 60, 720 or -30 is shown	

5

2.2.4

Tom is thinking of employing an assistant at a wage of R3 500 per month to control the stock of photo frames. Explain why this is NOT a good idea. Provide TWO points with figures/calculations.

Note: Explanation could differ depending on figures calculated above in 2.2.2 and 2.2.3

	Explanation ✓ ✓	Figures ✓✓ ✓✓
Point 1	It is not worthwhile to employ the assistant OR Wages greatly exceed the cost of the missing units	Wages <small>one mark</small> R42 000 p a / R 3 500 pm Cost of units missing: <small>one mark</small> 13 x R147,60 = R1 918,80 see 2.2.2 / 2.2.3 above (could use unit cost price)
Point 2	Missing items are relatively insignificant OR Units missing are a very small % of units available	Units missing = 13 <small>one mark</small> see 2.2.3 above Units available = 750 <small>one mark</small> see 2.2.2 above % missing = Less than 2% <small>two marks</small> OR: Units sold p.a. = 657 <small>one mark</small> Units sold per day = 1,8 or 2 <small>one mark</small>

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2.3

MANAGEMENT OF INVENTORIES

Product	Problem Problem ✓ ✓ ✓ Figures ✓ ✓ ✓	Solution ✓ ✓ ✓
Cupboards	High returns, 500 or 500 / 1 800 (27,7%) Or 1 000 cupboards missing	Possible change to new supplier Ensure high quality ordered Order as per customer specifications Check quality before accepting stock delivered Improve security
Tables	Missing money, R40 000 (510 000 – 470 000) or 20 tables missing Credit sales much higher than cash sales (liquidity issues) 2 400 / 600 or 1 800 units more 2 400 / 3 000 (80%); 600 / 3 000 (20%)	Division of duties/ banking of money Improve physical security Promote cash sales by providing incentives such as cash discount
Chairs	Slow selling item / too much stock on hand (1 300 and 2 950) Purchases much higher than sales (6 000/4 350)	Change to a different type of chair. Advertise more to increase sales Buy stock according to sales. Reduce mark-up%

9

TOTAL MARKS

40

QUESTION 3

3.1

3.1.1	Indirect	✓
3.1.2	<u>Selling</u> and distribution	✓
3.1.3	Fixed	✓
3.1.4	<u>Direct</u> material	✓

4

3.2.1

Calculate: The value of the closing stock using the first-in-first-out stock valuation method

$$\begin{array}{rcl}
 930 \times 90 & = & 83\,700 \quad \checkmark \\
 265 \checkmark \times 80 \checkmark & = & 21\,200 \checkmark^* \\
 1\,195 - 930 & & \text{three marks}
 \end{array}$$

104 900 * one part correct

5

Calculate: Direct material cost

$$\begin{array}{rcl}
 (390\,000 + 198\,400 + 83\,700) \text{ one mark} & & \\
 59\,800 \quad \checkmark & + & 672\,100 \quad \checkmark \\
 & - & 104\,900 \quad \checkmark \text{ see above} \\
 & = & 627\,000 \quad \checkmark \text{ one part correct}
 \end{array}$$

4

3.2.2

Factory overhead cost

TOTAL b/f	84 330	
Insurance (31 200 x 60%)	18 720	✓ <input checked="" type="checkbox"/> *
Rent expense (114 000 x ⁵ / ₈)	71 250	✓ <input checked="" type="checkbox"/> *
Water and electricity (7 110 ✓ x ⁵⁰ / ₁₅ ✓) One mark for 474 / 3 555 as final answer	23 700	✓
	198 000	<input checked="" type="checkbox"/> * *one part correct

8

3.2.3

Provide evidence (figures) to justify his concern. In each case, also give a possible reason for the increase in EACH unit cost, apart from normal inflation.

EVIDENCE figure ✓ ✓	REASON ✓✓ ✓✓
Total fixed cost per unit Increased by R8 per unit (22%) (from R36 to R44)	Changes in economies of scale Fewer units produced (Do NOT accept inflation.)
Direct labour cost per unit Increased by R12 per unit (32%) (from R38 to R50)	More overtime worked due to strikes Inefficiency / Poor supervision of workers / Surplus workers not gainfully employed / Hours lost due to load shedding (Do NOT accept inflation.)

6

3.2.4 Calculate the break-even point on 31 December 2018.

R 264 000 ✓

300 ✓ – 165 ✓

135 two marks

= 1 956 or 1 955 or 1 955,6 units one part correct

4

Explain whether or not there was any improvement in the trends of the level of production and the break-even point from one year to the next. Quote figures.

Comment on each ✓ ✓ figures ✓ ✓

Production decreased from 7 560 – 6 000 (1 560 units / 20,6%) two marksThe BEP decreased from 3 888 units to 1 956 units (1 932 / 49,7%) two marks

see above calculation

OR: for four marks

6 000 – 1 956

In 2018 production exceeds BEP by 4 044 units while in 2017 production exceeds BEP by 3 672 units

7 560 – 3 888

4

The owner cannot understand why he is making a better profit this year. Explain how this happened. Provide TWO points. Quote figures.

Comparing BEP to production ✓✓ figures ✓

Comparing selling price ✓ figure ✓

For three marks:

- The business is making a profit on more units this year (4 044 this year; 3 672 last year), 372 units more see BEP calc above

For two marks:

- The selling price per jacket increased from R220 to R300 (R80 more per jacket)

OR:

For two marks only if first bullet not provided:

- A decrease in BEP by 1 932 units see above

5

TOTAL MARKS

40

QUESTION 4

4.1

4.1.1	C ✓	Balance Sheet
4.1.2	D ✓	Income Statement
4.1.3	B ✓	Cash Flow Statement
4.1.4	A ✓	Audit Report

4

4.2 AUDIT REPORT

4.2.1

Choose the correct word from those given in brackets.

Unqualified ✓

Give ONE reason.Any ONE valid reason ✓✓ **Mark independent of answer above**

It is a good/clean audit report

The words 'fairly present' indicates that there were no problems encountered by the auditors.

3

4.2.2

Give ONE reason why the Companies Act requires public companies to be audited by an independent auditor.Any ONE valid reason ✓✓ **part-mark for unclear or incomplete answer**

- Unbiased view will be presented
- Separation between management and ownership
- Interest of the shareholders are safeguarded
- Business is working with money of shareholders
- To reduce / deter the possibility of fraud occurring

For one mark: Prevent / reduce fraud

2

4.2.3

Newspaper reports have indicated that Kego and Murray Associates have been found guilty of misconduct in terms of audit work done at several large firms. Explain how this may influence shareholders of Everest Ltd. State TWO points.Any TWO relevant points ✓✓ ✓✓ **Future shareholders not relevant to this answer**
Question asks for influence on shareholders, not consequences for share prices etc.

The shareholders will not be able to rely on the audit report
 The shareholders will not reappoint the auditors at the next AGM (will be fired)
 The shareholders may demand a re-audit by another reputable firm
 The shareholders may insist on legal action if audit was fraudulently done
 Existing shareholders might want to offload / sell their shares
 Existing shareholders will concerned over the value of their investment in the company.

4

4.3 MVVS LTD

Foreign entries –1 max -1
Placement -1 (if marks scored elsewhere) max -1

4.3.1 Statement of Comprehensive Income (Income Statement) for the year ended 31 March 2019

Give method mark if R6 236 000

Sales (10 563 280✓ + 36 720✓)	10 600 000	✓*
Cost of sales (6 236 000 + 24 000 ✓✓)	(6 260 000)	✓*#
Gross profit Sales - COS 7	4 340 000	✓
Operating income operation	112 000	✓*
Rent income	99 500	
Bad debts recovered	7 800	✓✓
Provision for bad debts adjustment	1 600	✓✓
Profit on sale of asset	3 100	✓✓
Gross operating income GP + OI 8	4 452 000	✓
Operating expenses operation	(3 710 000)	✓*
Directors' fees	1 262 100	
Water and electricity	218 000	
Telephone	75 600	
Audit fees	104 000	
Sundry expenses	61 001	
Salaries and wages (1 280 000 ✓ + 9 100✓ + 3 900✓✓) 13 000 three marks	1 293 000	✓*
Employer's contributions	318 200	✓✓
Bad debts (22 300 ✓ + 8 000 ✓✓)	30 300	✓*
Consumable stores	49 800	✓✓
Insurance (79 500 ✓ – 38 250 ✓✓)	41 250	✓*
Depreciation (34 999 + 80 000 + 41 800) + (92 500 + 1 750) 156 799 three marks 94 250 two marks	251 049	✓*
Trading stock deficit (364 200 ✓ – 24 000✓ - 334 500✓) See COS above 28	5 700	✓*
	29 700 three marks	
Operating Profit GOI – OE	742 000	✓
Interest income balancing figure; cannot be 0; accept -ve based on workings	26 000	✓
Profit before interest expense NPBT + IE	768 000	✓
Interest expense (1 430 200 ✓ + 304 800 ✓ – 1 658 000✓)	(77 000)	✓*
Net profit before tax	691 000	
Income tax ignore brackets	(193 480)	✓✓
Net profit after tax must subtract income tax 10	497 520	✓

*one part correct

4.3.2 NOTES TO THE BALANCE SHEET

Fixed/Tangible Assets

(Brackets must be included, where applicable, to score marks)

	Land and buildings	Vehicles	Equipment
Carrying value at beginning of financial year	12 500 000	275 000	280 500
Cost	12 500 000	750 000	398 000
Accumulated depreciation	-	(475 000)	(117 500)
Movements			
Additions at cost	-	627 000 ✓	-
Disposals at carrying value	-	-	(6 500) ✓ ✓
Depreciation	-	See Inc Stmt (156 799) ✓	(94 250)
Carrying value at end of financial year	12 500 000		
Cost	12 500 000	1 377 000	370 000 ✓
Accumulated depreciation	-	(631 799) ✓ 475 000 + depr	(190 250) ✓ ✓

8

Ordinary share capital

Authorised:		
8 000 000 shares		
Issued:		
1 200 000	shares in issue at beginning	4 800 000 ✓
(150 000)	shares re-purchased (ASP: R4.00 ✓)	(600 000) ✓
850 000	shares issued during year balancing figure if one item correct	5 100 000 ✓
1 900 000 ✓	shares in issue at end	9 300 000 ✓

6

OR:

Issued:		Note: Candidates might not round off the ASP to nearest cent; this could lead to differences of approximately R710 to R790
1 200 000	shares in issue at beginning	4 800 000 ✓
850 000	shares issued during year balancing figure if one item correct	5 233 500 OR 5 235 000 ✓
(150 000)	shares re-purchased ASP: R4,89 ✓ ASP: R4,90	(733 500) OR (735 000) ✓
1 900 000 ✓	shares in issue at end (R4,89 or R4,90)	9 300 000 ✓

TOTAL MARKS

80

QUESTION 5

5.1

5.1.1	Solvency ✓
5.1.2	Liquidity ✓
5.1.3	Return on equity ✓
5.1.4	Gearing ✓

4

5.2 KULFI LTD

5.2.1 RETAINED INCOME:

Balance on 1 March 2018		141 500 ✓
Net profit after tax	$293\ 100 \times 70/30$ / $977\ 000 - 293\ 100$	683 900 ✓ <input checked="" type="checkbox"/> One part correct
Funds used for repurchase of shares 60 000 ✓ x 0,96 ✓✓	Ignore brackets One part correct	(57 600) <input checked="" type="checkbox"/> Do not accept 0
Ordinary share dividends	Ignore brackets One part correct; if Int Div + Final Div	(456 800) <input checked="" type="checkbox"/>
Interim 1 000 000 x 25c		250 000 ✓ <input checked="" type="checkbox"/>
Final		206 800 ✓
Balance on 28 February 2019	one part correct Check that figures used for repurchased shares, OSD are deducted	311 000 <input checked="" type="checkbox"/>

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5.2.2 Calculate: Income tax paid

$$293\ 100 \checkmark - 11\ 300 \checkmark - 21\ 800 \checkmark = 260\ 000 \checkmark \text{ one part correct}$$

Accept alternative arrangements for calculations such as signs reversed, brackets and/or ledger account.

4

Calculate: Dividends paid

$$360\ 000 \checkmark + 250\ 000 \checkmark \checkmark = 610\ 000 \checkmark \text{ one part correct}$$

(456 800 – 206 800)
See 5.2.1

Accept alternative arrangements for calculations such as signs reversed, brackets and/or ledger account.

4

5.2.3 Cash effects of investing activities

Cash effects of investing activities No details -1P (Max)		(518 600) <input checked="" type="checkbox"/> operation
Fixed assets purchased 345 000 two marks 8 775 720 ✓ + 123 600 ✓ + 111 800 ✓ – 8 430 720 ✓		(580 400) <input checked="" type="checkbox"/> One part correct Must be in brackets
Proceeds from sale of fixed assets		111 800 ✓
Increase in fixed deposit		(50 000) ✓ ✓ Must be in brackets

9

Net change in cash and cash equivalents	✓ 377 700	
Cash and cash equivalents (beginning of year)	✓✓ (117 520) Must be in brackets	
Cash and cash equivalents (end of year)	✓ 260 180	4

5.2.4

Calculate: Acid test ratio

996 480 one mark – 448 000 one mark
548 480 two marks
(288 300 ✓ + 260 180 ✓) : 553 600 ✓ = 0,99: 1 or 1 : 1 ✓
One part correct; must be y:1

4

Calculate: Debt-equity ratio

see 5.2.1
1 400 000 ✓ : (311 000 ✓ + 7 557 600 ✓)
7 868 600
= 0,2 : 1 ✓ One part correct; must be y:1 (0,17 : 1)

4

Calculate: % return on average shareholders' equity (ROSHE)

see 5.2.1
$$\frac{683\,900\ \checkmark}{\frac{1}{2}\ \checkmark (7\,341\,500\ \checkmark + 7\,868\,600\ \checkmark)} \times \frac{100}{1}$$
7 605 050
three marks
see above SE
= 9% ✓ One part correct; % sign not essential; cannot be Rands, cents, units etc

5

5.2.5

The shareholders are satisfied with the improvement in the liquidity position. Quote THREE financial indicators (with figures) to support this statement.

THREE valid indicators ✓ ✓ ✓ Trend figures ✓ ✓ ✓

Current ratio increased from 0,7 : 1 to 1,8 : 1

Acid test ratio increased from 0,4 : 1 to 1 : 1 see 5.2.4

Debtors collection period improved from 39 days to 28 days

Creditors payment period must not be accepted

6

5.2.6

The company increased the share capital by R840 000, and the loan by R550 000.

Explain how this affected the gearing and risk of the company. Quote TWO financial indicators.

TWO valid indicators ✓ ✓ with figures ✓ ✓ Comment ✓

Debt/equity ratio moved from 0,1 : 1 to 0,2 : 1 see 5.2.4

ROTCE decreased from 14,4% to 12,9%

The company is lowly geared (not making extensive use of loans)

Increasing the loan has caused the company to be negatively geared as the interest rate is 13,5%. The business is not making effective use of the money borrowed to increase profitability.

5

Explain what the directors have done with this cash inflow. State TWO points.

TWO points ✓ ✓ with figures ✓ ✓

Fixed assets purchased; R580 400 **see 5.2.3**

Addressed the overdraft; - R142 520 to + R260 180

Increased investment by R50 000

Dividends paid; R610 000 **see 5.2.2**

Decreased creditors balances, R227 400; more stock purchased, R167 000

Shares repurchased, R540 000

4

5.2.7

Provide calculations to show the change in the pay-out rate.

one mark

In 2018: $80/83 \times 100 = 96,4\%$ ✓✓ of EPS was distributed as dividends

OR: retained 3,6%

one mark

In 2019: $47/71 \times 100 = 66,2\%$ ✓✓ of EPS was distributed as dividends

OR: retained 33,8%

4

Give ONE reason why many shareholders were satisfied with the change in policy. Quote figures.

Any ONE valid explanation ✓ Relevant figures ✓

Cash earnings from dividends decreased by 33 cents per share because the company is retaining money for capital growth.

Market price of shares increased (807c to 840c) probably due to higher retained income (R141 500 to R311 000) **see 5.2.1**

Market price of shares increased (807c to 840c) probably due or NAV (816c to 837c)

2

5.2.8

Explain how the repurchase of the shares benefited Martha's shareholding. Quote figures.

Explanation ✓✓ figure (calculation) ✓✓

Majority shareholding must be mentioned to get two marks
Part-mark for explanation for unclear or incomplete answers

After the repurchase, she once again became the majority shareholder.

$475\ 000 / 940\ 000 = 50,5\%$

4

TOTAL MARKS
75

QUESTION 6

6.1 Identify TWO items on the Cash Budget that will not appear in a Projected Income Statement.

Any TWO of: ✓ ✓ **Items must come from Info A**

Cash from debtors
Fixed deposit: Protea Bank
Cash purchases of trading stock
Payment to creditors
Drawings

2

6.2 (i) Calculate: Rent income, June 2019

$$9\,180 \times 100/108 = 8\,500 \checkmark\checkmark$$

(ii) Calculate: Fixed deposit: Protea Bank, July 2019

$$400 \checkmark \times 100/6 \checkmark \times 12 = 80\,000 \checkmark \text{ one part correct}$$

$$\frac{400 \times 12}{6\%}$$

(iii) Calculate: Cash purchases of trading stock, July 2019

$$760\,000 \times 60\% = 456\,000 \checkmark\checkmark$$

7

6.3 Calculate the total purchases for April 2019.

$$\frac{192\,000}{40\%} = 480\,000 \checkmark\checkmark$$

2

6.4 DEBTORS' COLLECTION SCHEDULE

	CREDIT SALES	JUNE	JULY
MAY	576 000	374 400	
JUNE	558 000 ✓✓	159 030	362 700 ✓✓ If 65% of credit sales
JULY	855 000	x 30% x 95%	243 675 ✓✓✓ 256 500 one mark
TOTAL		533 430	606 375 ✓*

8

*one part correct

6.5.1 Comment on the following (provide figures):**Effect of the advertising on sales**

Comment on advertising (with figures) ✓

Comment on sales (with figures) ✓

Effect on sales ✓ **Max one mark if no figures provided**Advertising was over budget by R28 800 (80%)Total sales increased by R4 000 (0,6%), due to an increase in credit sales.Effect on sales: The large increase in advertising was not effective / did not achieve the desired effect on sales.

3

Payment to creditors

Comment on creditors ✓ Figures ✓

Creditors were underpaid by R75 000 (while purchases increased; if this trend continues, creditors will decrease credit limits, stop supplying on credit, may incur interest charges).

2

6.5.2 Identify TWO strategies (except advertising) that the business used to achieve sales targets for May 2019. Quote figures.

TWO strategies ✓ ✓ Figures ✓ ✓

Increased the credit sales, R36 000; (R412 000 more than cash sales)

Introduced delivery service, R19 000

4

Explain whether these were good strategies, or not. Provide ONE point with figures.

Comment on collection ✓ Figures ✓

Not effective:

- Collection from debtors was poor (business will face cash challenges in respect of future collections) – less than budget by R95 000 or 20%
- Cash flow problems impacted on payments to creditors – paid R75 000 less than budget
- Delivery service impacted on cash flow – paid R19 000 which was not budgeted
- Small increase in total sales by R4 000

OR

Effective:

- Increase in credit sales was R36 000 – increase in number of customers
- Increase in sales was R4 000 – increase in number of customers

2

TOTAL MARKS

30

TOTAL: 300