



NATIONAL SENIOR CERTIFICATE EXAMINATION  
NOVEMBER 2024

**ACCOUNTING: PAPER II**

**MARKING GUIDELINES**

Time: 2 hours

100 marks

---

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

**The IEB will not enter into any discussions or correspondence about any marking guidelines. It is acknowledged that there may be different views about some matters of emphasis or detail in the guidelines. It is also recognised that, without the benefit of attendance at a standardisation meeting, there may be different interpretations of the application of the marking guidelines.**

---

**QUESTION 1 RECONCILIATIONS**

**Refer to the information relating to Kalideck.**

**This question consists of two parts, Part A and Part B.**

**Part A: Debtors**

1.1 Prepare the age analysis on 31 October 2024 using the statement provided. Show all your workings so part-marks may be awarded.

120+ days	90+ days	60+ days	30+ days	Current
320 000 (280 000) (40 000)	176 500 (78 000) (23 525) (21 250) 21 250 (23 375)	2 125		128 500
Do not calculate				

1.2 Based on the credit terms provided, calculate the interest amount that should be raised on this statement. Also explain why the amount calculated would be displayed in the 'Current' column of the debtors age analysis.

51 600 <input checked="" type="checkbox"/> Both $\times 12\% \times 1/12 = 516$
Why displayed in the 'Current' column?
Calculated in October/month of statement as it only becomes due in October.

1.3 The auditor wants to verify credit note 83 in August 2024 and calls Exam Paper Printers (EPP) directly asking for proof. Why would the auditor rather do this for verification than just asking the Kalideck bookkeeper?

Outside/external source verification more reliable.
Bookkeeper could be wrong/fraud and lie about it.

1.4 Refer to the transactions on 12 and 26 August and the accompanying note.

Explain why the entry for the administrative penalty fee could be deemed as allowable or compliant (legal), yet unethical.

When EPP opened their account with Kalideck, they would have been presented with the credit terms and accepted them. Thus, it is legal for Kalideck to charge it.
The payment into the incorrect account was an error/mistake.
Charging them a fee for making this mistake without giving them the opportunity to rectify it could be deemed unethical.

1.5 Kalideck has identified the ever-increasing fuel prices when delivering sales to their customers as a challenge to the business.

Since they cannot control the fuel price, they must either:

- (a) increase their prices to compensate for this increase, or
- (b) pass it onto their customers (customers pay a delivery fee).

Explain which of these two options will benefit the business more in the long-term compared to the other option.

Delivery fee as the selling price remains the same and the customer pay for the service of having goods delivered. Increasing the price of goods might lead to a loss in customers because the store looks more expensive now. <b>OR</b>
Increase their price will offset against a delivery expense line item.
2 marks = explaining choice well and comparing to other option 1 mark = average explanation or not comparing to other option 0 mark = no logical explanation of choice

**Part B: Creditors**

1.6 Complete the Creditor's Reconciliation for October 2024 using the table below.

Details and calculations	Creditor's Ledger	Creditor's Reconciliation	No entry (X)
Balance	1 460 795	1 565 835	
(a)	(904 000)	(904 000)	
(b) 10 800 × 2		(21 600)	
(c)		(114 640)	
(d)			X
(e) 390 000 × 8%	(31 200)		
Do not calculate			

**QUESTION 2 COMPANY ANALYSIS**

**Refer to the information relating to Sasol Group Limited.**

2.1 2.1.1 Calculate the percentage change in cost of sales from 2022 to 2023.

$\frac{55\ 194 - 42\ 556}{42\ 556} \times 100$ <p>= 29,70%</p>
----------------------------------------------------------------

2.1.2 Calculate the mark-up percentage achieved in **2022**.

$\frac{78\ 197}{42\ 556} \times 100$ <p>= 183,75%</p>
-------------------------------------------------------

2.1.3 Why should the company be concerned with the change in sales and cost of sales based on the calculations above?

Sales only increased by 10,56% compared to Cost of Sales.
Mark-up ↓ 41,87%
Increase in COS not being offset by same increase in sales (mark-up % being eroded).

2.2 Suggest THREE measures Sasol can implement to remedy (fix) the issues identified in Question 2.1, keeping in mind that they are mostly a **manufacturing enterprise**.

- |                                        |
|----------------------------------------|
| • Find cheaper suppliers to reduce DMC |
| • Introduce automation to reduce DLC   |
| • Implement measures to reduce wastage |
| • Control FOH                          |
| • Economies of scale                   |

2.3 Calculate the Earnings per share (EPS) and Dividends per share (DPS) for **2022**.

<p>Earnings per share (EPS)</p> $\frac{34\,771\,000\,000}{288\,371\,336}$ <p style="text-align: center;">OR 12 058 cents OR 12 057,72 cents</p> <p>= R120,58</p>
<p>Dividends per share (DPS)</p> $\frac{10\,344\,000\,000}{288\,371\,336}$ <p style="text-align: center;">OR 3 587 cents OR 3 587,04 cents</p> <p>= R35,87</p>

2.4 2.4.1 By referring to the EPS, DPS and the effect on Retained Income, comment on the company's dividend policy for **2023**.

Of the R53,59 earned, R79,38 was distributed
R25,79 more than earned <b>OR</b> 148,12% of profits distributed (3 marks)
Extra portion funded from retained income from previous year

2.4.2 Why would SASOL do this?

In 2022 Sasol only distributed 29,75% of profits to shareholders.
rewarding them this year with a bigger dividend. <b>OR</b>
Due to decreased profits and earnings, directors have tried to keep shareholders happy with higher dividends.

2.5 Your uncle owns SASOL shares. He claims that they lost roughly 70% of their value over the last financial year. He wants to sell the shares and rather invest in RSA Retail Savings Bonds.

Evaluate why **he should keep** his SASOL shares and not invest in RSA Retail Savings Bonds.

Even though ROSHE decreased, 100,46% return on investment is exceptional
RSA Retail Savings Bond only offers 10,25% return
Foolish because he would lose out on 90,21% returns
He also received dividends on the shares
<b>OR</b>
Max 1: If SASOL shares continue to lose 70%, in 3 years there will be no return vs 10,25% assured by RSA Retail Bonds.

2.6 Calculate the Debt-to-Equity ratio for **2023**.

$95\,290 \times [(100 - 30)/100] : 12\,533$ $95\,290 \times 0,7 : 12\,533$ $66\,703 : 12\,533$ $5,32 : 1$
--------------------------------------------------------------------------------------------------------------------

2.7 By analysing the Debt to Equity of the company, comment on the degree of financial risk.

Increased by 1,7 : 1 (from 3,62 : 1 to 5,32 : 1)
They owe almost 5½ times what they own <b>OR</b>
Company will not be able to cover LTL with equity <b>OR</b>
Extremely high risk.

2.8 Evaluate, with reference to risk and gearing, why SASOL would continue to raise loans as opposed to issuing more shares. Use figures/financial indicators (ratios) to substantiate your reasoning.

Return on Capital Employed (ROCE) is 26,4%
Average interest rate on borrowings is 15,2%
Company is positively geared. (Borrowing money increases risk but returns are positive)
Loans are finite while dividends to shareholders have a lifespan (semi-infinite) <b>OR</b> Issuing shares rather than loans will dilute current shareholding and possibility of having to pay dividends.

2.9 Analyse why a few shareholders would be satisfied with their investment at the close of trade on the JSE at the end of the financial year (June 2023), despite the decrease in the share price. Quote figures/financial indicators (ratios) **other than the Return on Shareholders' Equity**, to substantiate your answer.

JSE closing price is R233,26 (despite steep decline since June 2022) but still higher than NAV of R43,46.
Trading price is 5 times higher than the book value/shares still in high demand.
(If they bought in 2022 and sold now, they would not be happy.)

2.10 Using the liquidity indicators provided, critically analyse and evaluate the liquidity of the company.

**Compare** and **analyse** the liquidity indicators of 2022 and 2023 and provide suggestions on how they can possibly improve.

Compare and analyse 2022 and 2023:
Debtors' collection ↑ 11,6 days
Creditors payment ↓ 8,2 days
Debtors pay us after we pay creditors. (5,4 days wait time)
Creating negative cash flow/impact on the liquidity cycle.
Stockholding ↓ 39,8 days
Stock is turning over faster in 2023 (probably from decrease in mark-up %).
Suggestions to improve:
Bring debtors back in line to pay faster (incentives like discount and penalties like interest).
SASOL should wait longer before paying creditors so that debtors can settle debts before creditors are paid.
Reduce stock levels further.

2.11 Why would article E concern you **as a shareholder**? Provide THREE reasons.

• Pollution allegations are bad publicity which could negatively affect JSE price.  
**OR**  
Reputational damage will cause the share price to fall even further.  
(Share price)

• Company could face heavy fines if found guilty leading to less earnings and dividends.

**OR**

Fines relating to the charges will have a negative impact on cash flow and profits (less EPS will lead to less DPS).

**OR**

Goes against triple bottom line (planet) / King Code / violation on corporate governance that could lead to fines/penalties thus reducing earnings.  
(profits/earnings)

• Concerns around how the company is being run. Planet damage (corporate governance) and contamination of water people and animals might depend on (ethical considerations).  
(Ethics)

**QUESTION 3 BUDGETS**

**Refer to the information relating to SDC Appliance Traders.**

3.1 Below is the partially completed creditor's payment schedule for February 2025.

Sales month	Credit purchases R	January 2025 R	February 2025 R
December 2024	386 100	77 220	
January 2025	3.1.2	?	Do not calculate
February 2025	347 100		263 796
		Do not total	

3.1.1 Calculate the percentage that credit purchases make up of total purchases.

$$\frac{386\ 100}{594\ 000} \times \frac{100}{1} = 65\%$$

3.1.2 Calculate the amount of total **credit** purchases for January 2025.

$$792\ 000 \times \frac{100}{160} = 495\ 000 + 65\ 000 = 560\ 000 \times 65\% = 364\ 000$$

3.1.3 Calculate the **amount** (rand value) of discount received in February 2025.

$$347\ 100 \times 80\% \times 5\% = 13\ 884$$

3.2 Calculate the missing figures marked A–D in the Cash Budget.

A.	$3\ 600 - 3\ 150 = 450$ $450 \times 100/4,5 \times 12 = 120\ 000$
B.	$347\ 100/0,65 = 534\ 000$ <b>OR</b> $347\ 100 \times 35/65 = 186\ 900$ $534\ 000 \times 0,35 = 186\ 900$
C.	$146\ 610 - 39\ 000 = 120\ 610$ $120\ 610 \div 1,055 = 102\ 000$
D.	$24\ 000 \times 36 = 864\ 000$ $864\ 000 \times 20/80 = 216\ 000$

3.3 SDC Appliance Traders wants to increase their gross profit without losing customers. Provide ONE suggestion how they could do this without additional costs such as advertising. They have already tried finding cheaper suppliers in the past but were unsuccessful.

Because they are 40% cheaper than competitors, they could potentially increase their mark-up % without losing customers to competitors.

3.4 Stavros is concerned about the cash situation of this business. It appears that taking out a loan did not solve the cash flow problem.

Apart from borrowing further funds or asking Stavros to increase his capital, explain FOUR ways in which the business can improve the cash flow position for the budgeted period January 2025 to February 2025.

- Renegotiate with debtors to collect in the same month.
  - Do not re-invest the fixed deposit.
  - Renegotiate with creditors to extend payment period.
  - Rather lease a vehicle than buy one.
  - Ask the owner to decrease drawings.
  - Do not donate stock at this time.
  - Do not employ the 2 new staff members.
- Any 4

3.5 Stavros has found that his biggest stock losses in 2024 were due to technological advances and damages when shipping/delivering.

How can he possibly reduce these losses in the year to come?

Technological advances: Buy smaller quantities so that when newer models come out you are not stuck with old stock.
Transportation damages: Use stronger/better wrapping material/fine workers when damages occur on their delivery/investigate better shipping companies to use/take out insurance against damages.

3.6 Stavros wants to introduce the idea to allow customers to rent appliances for a period, after which it becomes theirs (rent-to-own). Study the advertisement he designed for this idea as displayed in the information booklet.

Critically evaluate the **financial viability** of this idea by breaking down the terms and conditions of the advertisement.

Criticism of the terms and conditions numbered ❶:
<ul style="list-style-type: none"> <li>• 8% equates to 4% p.a. which is lower than inflation and interest (prime) rates.</li> </ul>
<ul style="list-style-type: none"> <li>• Current debtors settle in full the month after sale compared to 24 months with rent to own.</li> </ul>
<ul style="list-style-type: none"> <li>• Greater risk of bad debts being introduced (currently bad debts written off).</li> </ul>
<ul style="list-style-type: none"> <li>• If contract is violated and appliance repossessed, it will be sold at a reduced price in which case the business will probably lose money.</li> </ul>
Criticism of the terms and conditions numbered ❷:
<ul style="list-style-type: none"> <li>• Wear-and-tear and fuel costs at the expense of the business as it is advertised as a free service.</li> </ul>
<ul style="list-style-type: none"> <li>• This expense must thus also be offset by the once-off fee meaning this note is bound to cause the business more losses than gains.</li> </ul>
<ul style="list-style-type: none"> <li>• This note is vague as it does not specify if it includes spare parts or if there is a limit to how far they will travel for repairs.</li> </ul>
Consider other viable points.

**Total: 100 marks**