basic education
Department:
Basic Education
REPUBLIC OF SOUTH AFRICA

# NATIONAL SENIOR CERTIFICATE

## GRADE 12

## ACCOUNTING P2
## NOVEMBER 2023
## MARKING GUIDELINES

| Approved | Approved | Approved | Approved |
|---|---|---|---|
| T HALL<br>DBE Internal moderator<br>4 Dec 2023 | P GOVENDER<br>DBE Internal moderator<br>4 Dec 2023 | D WOODROFFE<br>Umalusi External moderator<br>4 Dec 2023 | M VANNEER<br>Umalusi External moderator<br>4 Dec 2023 |

**MARKS: 150**

**MARKING PRINCIPLES:**

1. Unless otherwise stated in the marking guidelines, 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. Unless otherwise stated, give full marks for correct answer. If answer is incorrect, mark workings.
4. If a pre-adjustment figure is shown as a final figure, allocate the part-mark as a working mark for that figure (not the method mark for the answer). Note: figures stipulated in the marking guidelines as components of workings are marked together; these do not carry the method mark for parts thereof.
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. If candidates provide more that the required number of responses, inspect all responses to give benefit to the candidate. Penalties may be applied for foreign entries if candidates earn full marks on a question (max -2 per Q).
8. These marking guidelines are not for public distribution; as certain items might imply incorrect treatment. The adjustments made are due to nuances in certain questions.
9. Where penalties are applied, the marks for that section of the question cannot be a final negative.
10. Where method marks are awarded for operation, marker must inspect reasonableness of the answer.
11. Operation means 'check operation'. 'One part correct' means operation and one part correct. Note: check operation must be +, -, x, ÷ as per candidate's calculation (if valid) or per marking guideline.
12. In calculations, do not award marks for workings if numerator & denominator are swapped – this also applies to ratios.
13. 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 ☒.
14. Be aware of candidates who provide valid alternatives beyond the marking guideline. Note that one comment could contain different aspects.
15. Codes: f = foreign item; p = placement/presentation.

**These marking guidelines consist of 11 pages.**

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## QUESTION 1

### 1.1 BANK RECONCILIATION

### 1.1.1

| TOTAL RECEIPTS | TOTAL PAYMENTS |
|---|---|
| **81 300** | **80 620** |
| 2 700 ✓✓ 7 400 | 4 700 together for two marks |
| | 30 000 ✓ |
| 14 600 ✓ | 12 400 ✓✓ (6 200 one mark + 6 200 one mark ) |
| 240 ✓ | 3 780 ✓ |
| | 860 two marks 320 ✓ |
| | 540 ✓ |
| | 11 000 ✓ |
| 98 840 | ☑ both totals 138 660 one part correct; must include provisional totals |

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- 1 (max -1) foreign / superfluous items (only if mark/s are earned elsewhere for the same figure)
In awarding the method mark for totals, ensure that the candidate do not get full marks for including any incorrect figure/s. Indicate with a ☒ (Principle 13).

| Bank balance in the General Ledger on 30 June 2023 | |
|---|---|
| **WORKINGS** | **ANSWER** |
| (- 39 820 two method marks)<br>49 100✓ + 98 840 ☑ - 138 660 ☑<br>see CRJ see CPJ<br>Accept alternative presentations for calculations e.g. Ledger a/c. Signs cannot be reversed | R9 280 ☑<br>one part correct |

4

Be alert to journal totals reflected as workings to calculate the bank balance (if 1.1.1 was not answered)

### 1.1.2 TWO COLUMN METHOD:

If both methods are answered, mark both and choose the option that benefits the candidate.

| BANK RECONCILIATION STATEMENT ON 30 JUNE 2023 | | |
|---|---|---|
| Figures must appear in the correct columns | **DEBIT** | **CREDIT** |
| Balance as per bank statement<br>Dr and Cr totals are the same; could be a Dr balance; | balancing figure; two marks or nothing Do not accept R27 600. | 11 240 ☑☑<br>one part correct |
| Outstanding deposit | | 31 500 ✓ |
| Outstanding EFTs: 944 | 9 700 ✓ | |
| 945 | 13 300 ✓ | |
| ATM withdrawal for wages | 11 000 ✓ | |
| Cr incorrect amount | | 540 ✓ |
| Balance as per bank account | 9 280 ☑ | Dr or Cr as per 1.1.1<br>Do not accept R49 100. |
| -1 (max -1) Presentation (inappropriate / no details provided);<br>-1 (max -1) foreign items / superfluous items, (only if mark/s are earned elsewhere for the same figure). | 43 280 | 43 280 |

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**OR ONE COLUMN METHOD:** *Refer marking conditions applicable above.*

Be alert to candidates who start with the bank account balance*
Note: brackets / no brackets must be reversed. See shaded column.

| BANK RECONCILIATION STATEMENT ON 30 JUNE 2023 | | |
|---|---|---|
| Balance as per bank statement | 9 280* | 11 240 ☑☑ |
| Outstanding deposit | (31 500) | 31 500 ✓ |
| Outstanding EFTs: 944 | 9 700 | (9 700) ✓ |
| 945 | 13 300 | (13 300) ✓ |
| ATM withdrawal for wages | 11 000 | (11 000) ✓ |
| Cr incorrect amount | (540) | 540 ✓ |
| Balance as per bank account | 11 240* | 9 280 ☑ |

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**1.1.3** **Explain TWO strategies that the business can use to address the problem of missing cash.** award part marks for incomplete / partial answers

Any TWO strategies ✓✓ ✓✓
Be alert to other valid alternative responses. Do not accept 'instal cameras'.

- Receiving and banking of cash should be done by different people / divide or delegate or rotate duties to prevent mismanagement of cash that can lead to missing money or theft. Division of duties is an incomplete answer (one mark).
- Request SMS notifications from the bank / check bank statements (mini statements on App) regularly – ensure correct amounts deposited.
- Outsource the transportation of cash to security companies (large amounts).
- Accompany the person in charge of depositing cash / escorted by security guard.
- Encourage customers to pay online (EFTs) / strive towards cashless or minimal cash handling.
- Do deposits regularly, at different times, using different routes for security purposes / train employees on security or emergency responses.
- Alarm systems or GPS tracking on vehicles used to transport cash.
- Background checks on staff involved with cash – reliable, trustworthy.

4

**1.2.1** **CREDITORS' RECONCILIATION**

| NO. | CREDITORS' CONTROL | CREDITORS' LIST |
|---|---|---|
| **Provisional balances** | **175 940** | **186 350** |
| **(i)** | - 3 600 ✓ | 0 |
| **(ii)** | 0 | + 990 ✓✓ [15 240 – 14 250] two marks |
| **(iii)** | 0 | 0 |
| **(iv)** | 0 | - 15 000 ✓✓ – 7 500 one mark – 7 500 one mark |
| **(v)** three marks in total; amounts may be in either column | + 1 660 ✓✓ +14 940 – 13 280 | + 1 660 ☑ see creditors control |
| | 174 000 | ☑ 174 000 one part correct |
| | Both totals; must include provisional balances; could be different amounts | |

9

Accept brackets for – sign; if no sign assume positive.
Accept correct identifiable amounts presented in wrong line/s.
Foreign entries, -1 per line if a mark has been scored on that line.

**1.2.2** **SEB Traders intends settling the account of Phuto Wholesalers on 31 August 2023. Calculate the amount due to them.**

| WORKINGS | ANSWER |
|---|---|
| **64 950** + 990 ☑ see 1.2.1(ii) on creditors' list – 9 540 ✓ | 56 400 ☑ One part correct, with correct signs |
| Be alert to alternative presentations for calculations e.g. ledger, Dr and Cr | |

3

| TOTAL MARKS | 40 |
|---|---|

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## QUESTION 2

### 2.1 T2FIT MANUFACTURERS

**2.1.1 Calculate direct material cost.**

| WORKINGS | ANSWER |
|---|---|
| [958 800 / 20 400]<br>R47✓✓ x 18 900 ✓<br>**OR:**<br>[64 800 + 894 000] [1 500 x 47]<br>958 800 one mark – 70 500 two marks<br>Be alert to alternative presentations for calculations e.g. ledger format | R888 300 ☑<br>one part correct |

4

**2.1.2 Calculate factory overhead costs for the year.**

| | |
|---|---|
| **Incorrect total** | **600 000** |
| Indirect material | (7 000) ✓ |
| Water and electricity [84 000 x 60%]<br>[84 000 x 40%] **OR** 12 600 + 21 000 **OR** – 84 000 + R50 400 | (33 600) ✓☑* |
| Insurance [90 000 x 5/8] [90 000 – 56 250]<br>56 250✓ – 45 000✓ **OR** 45 000 – 33 750<br>90 000 x 1/8 **OR** 90 000 x 0,125 **OR** 45 000 x ¼ **OR** 28 125 – 16 875<br>Allocate one mark for each component of each alternative above.<br>Be alert to the correct signs when awarding part marks. | 11 250 ☑* |
| **Correct total for factory overhead costs** | 570 650 ☑*<br>must include 600 000 |

7

* one part correct

Ignore brackets or signs, if incorrect, lose method mark on final answer.
Ignore foreign items.

**2.1.3**

| PRODUCTION COST STATEMENT FOR THE YEAR ENDED 28 FEBRUARY 2023 | | |
|---|---|---|
| Direct material costs | see .2.1.1 | 888 300 ☑ |
| **Direct labour costs** | | **408 600** |
| Prime costs | DMC + DLC | 1 296 900 ☑ |
| Factory overhead costs | see 2.1.2 | 570 650 ☑ |
| **Total cost of production** | | 1 867 550 |
| Work-in progress (beginning) | | 0 |
| | | 1 867 550 |
| Work-in-progress (end of year) | ignore brackets | (235 500) ✓ |
| **Cost of production of finished goods** | PC + FOHC – WIP / TCOP – WIP | 1 632 050 ☑ |

5

-1 foreign items (max -1)

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**2.1.4** **Calculate the cost of the wastage of raw materials.**

| WORKINGS | ANSWER |
|---|---|
| Choose the option that benefits the candidate; mark each line consistently.<br>**Metres:** [15 000 x 1,2] two marks<br>18 900 ✓ – 18 000 ✓✓<br>900m x R47 see 2.1.1<br>three marks<br>**T-shirts:**<br>[15 750 – 15 000] two marks<br>750 two marks x 1,2 one mark<br>900m x R47<br>three marks<br>**OR**<br>[15 000 x 1,2 x 47]<br>888 300 one m.mark – 846 000 one mark & one m.mark<br>see 2.1.1 | R42 300 ☑<br>one part correct<br>if x by Weighted<br>Average |

4

**2.1.5** **Mark is concerned about the increase in the cost of raw materials over the financial year. Provide TWO strategies that Mark can use to address the problem of wastage.**

Any TWO valid strategies ✓ ✓ accept short statements / responses

**Possible responses:** be alert to other valid alternative responses.

- Improve the training of factory workers.
- Use cutting patterns / cutting technology / cutting machines / order pre-cut fabric.
- Use material of a better quality / cheaper supplier / change suppliers.
- Regular servicing/maintaining of machines.
- Use offcuts effectively for related products, e.g. caps, hoodies.
- Pay incentives/bonuses for minimising wastage; encourage efficiency.
- Increase supervision / monitor production to ensure workers are not careless.

2

**2.2** **LIGHTING KINGS (PTY) LTD**

**2.2.1** **Do a calculation to confirm that the 2023 break-even point of 149 145 units for Orion bulbs is correct.**

[163 000 x 18,30] one mark
2 982 900 ✓
46✓ – 26 ✓
20 two marks

Mark numerator and denominator as such. Principle 7.

**OR**

[46 x 149 145] [26 x 149 145] fixed cost
6 860 670 – 3 877 770 – 2 982 900 = 0
one mark one mark one mark

3

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**2.2.2** **Identify and explain TWO cost items (with figures) that may have contributed to the increase in the cost of production per unit. Provide a reason in each case. Note that the current inflation rate is 7%.**

Do not accept DMC, SDC and AC as major points.

| | **COST (with figures)** Costs ✓ ✓ trend ✓ ✓ | **REASON** Explanation ✓ ✓ Accept if cost item or figures are provided in this column |
|---|---|---|
| **Point 1** | Direct labour cost / unit increased (from R6,70) to R11,20 / by R4,50 / by 67,2%. | Poor supervision<br>Excessive overtime / linked to load shedding or other disruptions / needed to meet targets<br>Inflationary increases in wages (not linked to production).<br>Poor or lack of effective training.<br>Poor recruitment policy.<br>Lack of motivation – no incentives or rewards for effort. |
| **Point 2** | Factory overhead cost per unit increased (from R11,64) to R14,20 / by R2,56 / by 22%. | Diseconomies of scale / drop in production while FOHC remains constant / economies of scale not being achieved.<br>Poor management / supervision of production process – drop in production.<br>Do not accept increases in specific expenses such as rent or electricity (total FOHC was constant over the two years). |

6

**2.2.3** **Explain whether the new Starlet bulbs were a good idea or not. Provide TWO points. Quote figures.** Part mark for incomplete or unclear answers

Any TWO valid points ✓ ✓ Comparative figures ✓ ✓

| **Comparison: Starlet exceeds or is better than Orion** | |
|---|---|
| Better sales revenue | By R7 802 000 (15 300 000 – 7 498 000) / by 104% |
| More units sold | By 62 000 units (225 000 – 163 000) / by 38% |
| Better profit | By 89 041 units above BEP (102 896 – 13 855)<br>Better CPU by R7,10 (27,10 – 20,00) includes VC<br>By R2 511 382 (2 788 482 – 277 100). |
| Less units to break-even | By 27 041 (149 145 – 122 104) |
| Enjoys economies of scale | Better fixed cost per unit of R14,71 compared to R18,30. |
| | |
| * Significant profit on sales of Starlet bulbs | Produced and sold 102 896 units above the BEP (225 000 – 122 104) **OR** profit of R2 788 482. |
| **Negatives trends in Orion:** | |
| More expensive to produce | BEP increased by 24 337 units (149 145 – 124 808)<br>Marginal increase of 13 855 units above the BEP. |
| Not popular – drop in production / sales levels | By 35 860 units (198 860 – 163 000) / 18% |
| Drop in sales revenue | By R854 120 (8 352 120 – 7 498 000) / 10,2% |

4

| **TOTAL MARKS** | **35** |
|---|---|

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## QUESTION 3

**3.1** **Identify TWO items that were incorrectly recorded in the Cash Budget.**

Any TWO valid items ✓ ✓

- Discount received
- Bad debts
- Depreciation

2

**Identify TWO items in the Cash Budget that would NOT appear in a Projected Statement of Comprehensive Income.**

Any TWO valid items ✓ ✓

- Cash from debtors
- Payment to creditors

2

**3.2** **DEBTORS' COLLECTION SCHEDULE**

| MONTHS | CREDIT SALES | NOVEMBER | DECEMBER |
|---|---|---|---|
| SEPTEMBER | 535 500 | 42 840 | Superfluous entry; Lose method on total |
| OCTOBER | 640 500 | 320 250 | 51 240 ✓✓ |
| NOVEMBER | 651 000 | 247 380 | 325 500 ✓✓ |
| DECEMBER | 682 500 | x 40% x 95% | 259 350 ✓✓☑* |
| CASH FROM DEBTORS | | 610 470 | 636 090 ☑* |

8

*one part correct
Accept correct figures placed in the wrong rows in December column.
Ignore workings or correct figures not reflected in the December column.

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**3.3 Calculate:**

| **(i) Discount allowed in November 2023** | | |
|---|---|---|
| **WORKINGS** | **ANSWER** | |
| 2% one marks 0,02<br>651 000 ✓ x [40% x 5%] ✓ **OR** 651 000 x [0,4 x 0,05]<br>**OR** 260 400 one mark - 247 380 one mark<br>**OR** 247 380 one mark x $^{5}/_{95}$ one mark<br>**OR** [651 000 – 247 380 – 325 500] – 65 100<br>78 120 one mark one mark | 13 020 ☑<br>one part correct | 3 |

| **(ii) Interest on savings account in December 2023** | | |
|---|---|---|
| **WORKINGS** | **ANSWER** | |
| [84 000 x 4%] one mark<br>3 360 ✓ x 1/12 ✓<br>1 200 ✓ + 280 two marks<br>**OR**<br>[84 000 + 360 000]<br>444 000 two marks x 4% x 1/12 one mark<br>**OR**<br>[84 000 + 30 000]<br>114 000 two marks x 4% x 1/12 one mark<br>Note: 4% does not constitute 'one part correct'. | 1 480 ☑<br>one part correct | 4 |

| **(iii) Payments to creditors in December 2023** | | |
|---|---|---|
| **WORKINGS** | **ANSWER** | |
| [640 500 x 100/60] one mark<br>1 067 500 ✓ x $^{100}/_{175}$ ✓ | 610 000 ☑<br>one part correct | 3 |

| **(iv) Rent expenses for November 2023** | | |
|---|---|---|
| **WORKINGS** | **ANSWER** | |
| 31 640 x $^{100}/_{113}$ | 28 000 ✓✓<br>No part marks | 2 |

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**3.4.1**

**Explain the changes that Adam made.**

Any valid explanation ✓✓ figures not required

He introduced a commission to sales staff / decided on a smaller or reduced fixed salary.

2

**Explain why some of the salespersons regretted their decision to agree to these changes. Quote figures or show calculations.**

Comment ✓ comparative figures ✓✓

- The fixed salary plus commission of R161 050 is less than R165 000 which they earned previously. This is R3 950 or 12% less than the previous month.
- Their contribution to total sales is R325 500 (30%) above the budgeted sales (1 410 500 – 1 085 000), yet they now earned less.
- Attracted 160 (33,3%) more customers than budgeted (640 – 480), yet earned less.

3

**Adam feels that the decision has benefitted the company, while the sales manager, Milly, is concerned that it did not benefit the company. Provide ONE point (with figures or calculations) to support EACH of these opinions.**

| | |
|---|---|
| **ADAM**<br>Point ✓<br>Figure ✓ | Total sales is above budget by R325 500 (1 410 500 – 1 085 000) by 30%.<br>Attracted 160 more customers than expected (640 – 480) / by 33,3%.<br>Profit exceeds budget by R340 715 (805 715 – 465 000) / by 73%.<br>**One mark options**<br>May lead to improved sales in the future / good for advertising. |
| **MILLY**<br>Point ✓<br>Figure ✓ | Credit sales above budget by R417 700 (1 068 700 – 651 000) / by 64,2% /<br>Credit sales is 76% of total sales (1 410 500 – 1 068 700)<br>Lower cash sales – R92 200 less than budget (434 000 – 341 000); cash flow problems.<br>**One mark options**<br>This compromises the liquidity of the business / may cause additional admin duties / possible bad debts / better control over delivery needed.<br>Note: Delivery expenses are not relevant to the decision on commission. |

4

**3.4.2**

**Calculate the net effect of this purchase on the receipts and payments in the Cash Budget.**

-1 (max -1) for figures that are not relevant to the calculation.
Mark the option that benefits the candidate; mark each line consistently.

| WORKINGS | ANSWER |
|---|---|
| **OPTION 1:** ✓ ✓ ✓ ✓<br>[+ 1 000 000 + 1 500 000 – 2 500 000] – 18 750 – 12 500 + 31 640 – 7 500 | – 7 110 ☑<br>one part correct |
| **OR** (signs reversed) one mark one mark one mark one mark<br>[– 1 000 000 – 1 500 000 + 2 500 000] + 18 750 + 12 500 – 31 640 + 7 500 | + 7 110<br>method mark |
| **OPTION 2:** one mark one mark one mark one mark<br>[– 1 000 000 – 1 500 000] + 2 500 000 + 18 750 + 12 500<br>[ max two marks ] | + 31 250<br>method mark |
| **OR** (signs reversed) one mark one mark one mark one mark<br>[+ 1 000 000 + 1 500 000] – 2 500 000 – 18 750 – 12 500<br>[ max two marks ] | – 31 250<br>method mark |

5

**Give ONE reason why Adam has decided to go ahead with this purchase.**

Any ONE valid point ✓✓ part mark for incomplete / unclear / partial answer; figures are not necessary
Response may relate to candidate's answer above.

Capital growth / business acquires a fixed asset / long term stability of the business / future may be secure (sustainability) / Savings on escalating rent expenses.

2

| TOTAL MARKS | 40 |
|---|---|

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## QUESTION 4

Accept recognisable abbreviations.

**4.1**

| | | | |
|---|---|---|---|
| **4.1.1** | perpetual | ✓ | |
| **4.1.2** | weighted average | ✓ | WA or WAM |
| **4.1.3** | first-in-first-out | ✓ | FIFO |

3

**4.2.1** **Calculate the value of the closing stock on 28 February 2023. Use the specific identification method.**

| WORKINGS | | ANSWER |
|---|---|---|
| HAWI | YAMA | |
| [90 + 340 – 5]<br>425 – 300<br>125 ✓☑ x R3 800 ✓<br>475 000 three marks + | 495 – 430<br>65 ✓ x R5 410 ✓<br>351 650 two marks | R826 650 ☑<br>one part correct; must include components of each model. |
| **OR** [342 000 + 1 292 000 – 19 000]<br>1 615 000 – 1 140 000<br>one mark two marks<br>475 000 three marks + | 2 677 950 – 2 326 300<br>one mark one mark<br>351 650 two marks | |
| **OR** totals for both models<br>[342 000 + 3 969 950 – 19 000] – 1 140 000 – 2 326 300<br>4 292 950 two marks two marks one mark | | |

6

**4.2.2** **Calculate how long (in days) it will take to sell the closing stock of the Hawi printers.** Mark numerator and denominator as such. Principle 7

| WORKINGS | | ANSWER |
|---|---|---|
| see 4.2.1<br>R475 000 ☑ / 1 140 000 ✓✓ x 365<br>(300 x 3 800) two marks<br>**OR** (1 615 000 – 475 000) two marks | **OR** (using units)<br>see 4.2.1<br>125 one m.mark / 300 two marks x 365 | 152,1 days ☑<br>one part correct if x 365 |

4

**4.2.3** **Explain whether Sipho should be concerned about the stockholding periods of the Hawi and Yama printers. Quote figures. Give possible reasons for the difference in the holding periods of the two models.**

**Hawi:** Explanation ✓ figure ✓ **Yama:** Explanation ✓ figure ✓
Possible reason ✓✓ part mark for incomplete / unclear / partial answers
May be included in the same statement. Concern can be implied in the response.

**HAWI** Note that candidate's responses will relate to their answer in 4.2.2. Mark accordingly.

- On the shelves for 152,1 days see 4.2.2 (more than 3 months)
- Slow sales / not popular / older model (returns) / possible obsolescence.

**OR** Durable; can be sold in future.

**YAMA**

- On the shelves for only 55,2 day (less than 2 months)
- Although more expensive, more steady sales or there is good demand.

*** FOR FOUR MARKS: Combined answer combining both models**
Hawi is on the shelves for 97 days (3 months) longer than Yama /
Yama sales are 97 days faster than Hawi even though it is more expensive.

**Possible reason for difference**
Yama is a later model / offer latest up-to-date technology / compatible with latest computers programmes / better quality (more features).

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**4.3.1** **Calculate the cost price of vehicles on 1 March 2022.**

| WORKINGS | ANSWER |
|---|---|
| 930 000 – 260 000 ✓ + 180 000 ✓<br>Accept alternative presentations for calculations e.g. ledger format, signs reversed or use of brackets | R850 000 ☑<br>one part correct; accept 930 000 as 'one part correct' |

3

**Calculate the trade-in value received on the vehicle disposed of on 1 June 2022.**

| WORKINGS | ANSWER |
|---|---|
| 64 800 + 23 040 + 4 608<br>180 000 ✓ + 5 560 ✓ – 92 448 ✓☑one part correct.<br>**Asset disposal**<br>180 000 one mark \| 92 448 one m.mark & one mark<br>5 560 one mark \| 93 112 one m.mark<br>**OPTION 2**<br>[64 800 + 5 760]<br>180 000 + 5 560 – 70 560<br>one mark one mark one mark & one m.mark | R93 112 ☑<br>one part correct<br>R115 000 |

5

**4.3.2** **Explain to the bookkeeper why his method is incorrect:**

Explanation ✓✓ part mark for incomplete or unclear answer
Explanation and calculation may be provided in the same response.

He has not realised that the asset is almost fully depreciated /
The R75 000 cannot be correct as this would lead to a negative carrying value /
A fully depreciated asset must retain a R1 book value for disclosure purposes.

**Provide a calculation to support your explanation:**

(300 000 – 262 500)
37 500 – 1 = 37 499 ✓✓ no part marks

4

**4.3.3** **Explain TWO possible arguments that the CEO can use to support his decision.**

Any TWO valid reasons ✓✓ ✓✓ part mark for incomplete or unclear answer
Be alert to same point expressed differently, or two points mentioned in the same sentence.

- The donation to a school in the community is part of the company's compliance to CSR (corporate social responsibility / triple-bottom line / King Code).
- It promotes the good image of the company / good publicity / will attract more customers.
- Giving back to the community that supports the business.
- (It might be) a tax-deductible donation (if approved by SARS; Sec 18A)
- The assets may be close to residual value / fully depreciated / not productive / not compatible with new programmes for the company.

4

| TOTAL MARKS | 35 |
|---|---|

**TOTAL: 150**

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