



NSC 2016 CHIEF MARKER'S REPORT

SUBJECT	ACCOUNTING		
PAPER	1		
DATE OF EXAMINATION:	27 OCTOBER 2016	DURATION:	3 HOURS

SECTION 1: (General overview of Learner Performance in the question paper as a whole)

The paper was well balanced. It covered a wide range of topics. Each of the six questions provided an easy "appetizer" as an introduction and proceeded to test understanding, interpretation and insight. As such, candidates were able to answer all questions, at least in part.

The overall structure and layout conformed to the trends set in past-year papers. The well-prepared candidate was able to take advantage of this predictability and scored high marks.

The paper contained an appropriate balance of easy, medium and difficult questions. It also included a selection of open-ended problem-solving questions that tested the analytical skills of candidates. Many were able to apply their basic mathematical ability and general knowledge effectively, and scored valuable marks. Markers were required to read carefully and credit candidates for valid responses that were beyond the marking guideline.

It was once again, disappointing to note the poor results spread across the province. Unfortunately, educators and learners do not take heed of the suggestions made in previous Diagnostic Reports to address their shortcomings; be it in content knowledge, methodology and/or examination techniques.

SECTION 2: Comment on candidates' performance in individual questions
 (It is expected that a comment will be provided for each question on a separate sheet).

QUESTION 1: MANUFACTURING CONCERNS (45 marks)				
(a) General comment on the performance of learners in the specific question. Was the question well answered or poorly answered?				
SUB-QUESTION	TOPIC OR ASPECT TESTED	MAX. MARKS	AVERAGE MARK	%
1.1	Concepts	4	3,6	89%
1.2.1 – 1.2.3	Production Cost Statement and Break-even	30	20,2	67%
1.2.4	Internal control processes	11	5,4	49%
	Sample of 100 scripts	45	29	64%

This question was well answered. It was attempted by all candidates and set a positive tone for the rest of the paper. Many were able to score high marks. The calculations for direct labour cost and direct material cost were haphazardly done in the spaces provided. Markers had to inspect carefully and award marks for workings.

Almost all candidates from the sample were able to calculate the break-even point, but many still experience difficulty in commenting on the level of production achieved and the break-even point.

Although 1.2.4 was presented differently for this topic, learners were able to use their knowledge of stock valuation methods to score some marks for correct workings.

- (b) Why the question was poorly answered? Also provide specific examples, indicate common errors committed by learners in this question, and any misconceptions.**
- Many of the candidates calculated the wages for one worker and did not multiply by 5 workers.
 - They also included the employee's deductions (8,5%) as part of the direct labour cost and was penalized for introducing an inappropriate extra amount.
 - The Opening Stock + Purchases – Closing Stock approach was used by the majority of candidates. They did not take into account that stock was stolen from the storeroom.
 - In 1.2.4, many confused the calculations for the stock missing from the storeroom and wastage of material in the factory.

(c) Provide suggestions for improvement in relation to Teaching and Learning

Question on cost accounting is fairly predictable and as such the topic was covered well in class. Educators need to be mindful of the fact that examiners also take note of the predictable nature of this topic and will always try to introduce new and innovative ways of testing the same content.

Cost Accounting is introduced in Grade 10 and reinforced in the subsequent Grades. Educators must spend time recapping the work covered in the previous Grades and shift the emphasis onto more analytical scenarios using the unit cost calculations, break-even analysis and internal control processes.



(d) Describe any other specific observations relating to responses of learners

Learners enjoy the accounting aspect of the section – they still struggle to express themselves clearly where comments are concerned. Their answers are generally vague and clichéd. The marking guideline expects more substance for full marks to be achieved.

(e) Any other comments useful to teachers, subject advisors, teacher development etc.

- Educators must not take for granted that this is an easy section.
- They must spend time on the Ledger Accounts from Grade 11 and proceed to more comprehensive activities from past-year examination papers.
- Activities from different textbooks as well as the many study guides available must also be used.
- For SBA tasks, create case studies and problem-solving scenarios to illustrate the relationship between the different cost centres in a manufacturing concern.
- If time permits, short class tests to assess prior knowledge is a useful tool. Sections such as salaries and wages, year-end adjustments and stock control procedures are always integrated with this topic to increase the degree of challenge.

QUESTION 2: RECONCILIATION, AGE ANALYSIS AND VAT (40 marks)

(a) General comment on the performance of learners in the specific question. Was the question well answered or poorly answered?

SUB-QUESTION	TOPIC OR ASPECT TESTED	MAX. MARKS	AVERAGE MARK	%
2.1.1	Screening of debtors (things to check)	4	2,9	72%
2.1.2	Reconciling Debtors Control with List	18	10,8	60%
2.1.3	Debtors Age Analysis and internal control	8	4,8	60%
2.2	VAT	10	5,9	60%
	Sample of 100 scripts	40	24	60%

- 2.1.1 Relied on basic general knowledge and was well answered.
- 2.1.2 Answered satisfactorily. It was evident that this section was not well addressed in classes.
- 2.1.3 Well answered. Many confused the percentage for compliance with those that were not complying with the credit terms. The measures provided were the standard examples of offering discounts and charging interest, for which 1 mark each was awarded.
- 2.2 VAT: many achieved valuable marks for calculations and the correct use of signs.

(b) Why the question was poorly answered? Also provide specific examples, indicate common errors committed by learners in this question, and any misconceptions.

- Educators and learners did not predict Debtors Reconciliation – there was some disappointment that Creditors Reconciliation was not tested in this paper.
- Candidates with a sound basic accounting knowledge was able to recollect the principles and practices learned in Grade 11, and apply them to the transactions in this question.
- A fair percentage of candidates were not able to differentiate between information that was relevant to the Control Account and/or the Debtors List.
- Input VAT and Output VAT is still confusing for many. This is compounded by the different approaches used by different educators and the different resource material.

(a) Provide suggestions for improvement in relation to Teaching and Learning

- Use the Bank Reconciliation principles and practices as a springboard to explain other forms of reconciliation. Emphasize that Reconciliation is an internal control measure to address errors and omissions when two sets of information exists.
- Understanding the theory is not enough – candidates must practice many examples from different sources. In this case, repetition is an advantage as similar scenarios are constantly used. In this way candidates will be able to identify certain trends and patterns and find ways of dealing with them.
- Informal summative testing, marked by peers, can be useful in assessing and addressing areas of weaknesses.
- Educators are also advised to explain the adjustments (errors and omissions) in detail as such transactions must be correctly interpreted for the correct actions to be applied.
- With regards to VAT, it will be wise to teach only one method to your class – and teach it well. It is not necessary to provide the many alternatives that can further confuse learners. The stronger candidates will eventually see the logic of the different methods but the average learner will be satisfied with one relevant explanation. The VAT Control account is a good option in this regard.

(d) Describe any other specific observations relating to responses of learners

- Many candidates drafted the Debtors Control Account to answer 2.1.2. This was acceptable.
- 2.1.3 - Some learners did not read the question fully and calculated the percentage of debtors **not** complying with the credit terms.
- With the VAT calculations, candidates simply listed the VAT amounts, or calculated the individual VAT amounts where necessary but they do not collate them to arrive at a single final answer. In such cases, they were awarded marks for the positive figures only (up to 4 marks).

(e) Any other comments useful to teachers, subject advisors, teacher development etc.

Learners need to see the logic in the reconciliation process. It is important to revise the section on debtors and creditors from Grade 10. They need to understand that Debtors are current assets and Creditors are current liabilities and that adjustments must be made to the correct side of each account to show an increase or decrease to the respective balances.

Use **practical** application examples where learners must compare, find the differences and make the correction; and **narrative** examples where errors and omissions are listed.

Short class tests are useful in assessing ones' understanding and interpretation. These can be peer or self-marked.

Questions from past year examination papers and from other study material will broaden their scope. Hopefully they will be able to transfer this knowledge to the more complex examples that may be introduced in examination papers.

QUESTION 3: AUDIT REPORT AND INCOME STATEMENT (70 marks)**(a) General comment on the performance of learners in the specific question. Was the question well answered or poorly answered?**

SUB-QUESTION	TOPIC OR ASPECT TESTED	MAX. MARKS	AVERAGE MARK	%
3.1	Concepts	4	2,3	57%
3.2	Audit Report	6	3,1	52%
3.3	Income Statement	60	26,8	44%
Sample of 100 scripts		70	32	46%

- Questions on the Audit Report were poorly answered. This was targeted as the lower to middle order question-type. 3.2.4 (2 marks) was clearly misinterpreted as being the random sampling by external auditors before compiling the final audit report.
- The Income Statement was satisfactorily answered. Learners were more familiar to the Income Statement with adjustments as per Grade 11 than an analytical Income Statement as in this case.

(b) Why the question was poorly answered? Also provide specific examples, indicate common errors committed by learners in this question, and any misconceptions.

- Educators tend to pay more attention to the Financial Accounting aspects of the syllabus and leave the responsibility of the theory to the candidates. Hence, learners neglect certain sections, such as the audit report, which is generally easy marks.
- The Income Statement required candidates to calculate certain amounts using financial indicators. They were also expected to work from the top and from the bottom to find certain missing amounts (balancing figures).
- At least four adjustments (10 marks) can be classified as higher order calculations.
- An adjustment to the method marking principles ensured that candidates do not obtain an extra mark if the correct operation was not applied.

(b) Provide suggestions for improvement in relation to Teaching and Learning

- Do not neglect the theory sections on companies. Past year examination papers are a good indicator of what is being tested regularly.
- Preparing financial statements is a long process. The topic is introduced in Grade 10 with the basic Income Statement and Balance Sheet. At that stage, learners must be drilled on the formats. They must be able to distinguish between balance sheet and nominal accounts, and their respective positions on the different financial statements.
- Class test on formats will highlight the weaknesses of individual candidates – these can be addressed during extra-classes on an on-going basis.
- Educators must boost the confidence of learners by commencing with the easier adjustments from Grade 11 and gradually introduce the more difficult ones. The correct operation plays a key role here, example, Prepaid Expense must be subtracted and Accrued Income must be added to the relevant nominal account in an Income Statement.

(d) Describe any other specific observations relating to responses of learners

- 3.2.3 Lack of understanding of the terms Qualified, Unqualified and Disclaimer of opinion.
- 3.2.4 Misinterpretation of why the auditor refers to only certain pages of the annual report.
- 3.3 Poor handling of calculations for cost of sales, depreciation, advertising and trading stock deficit.

It was surprising to note that a large percentage of candidates could not calculate the income tax amount from the net profit after tax figure.

(e) Any other comments useful to teachers, subject advisors, teacher development etc.

- Relate all teaching to the extended accounting equation: $\text{Assets} + \text{Expenses} + \text{Drawings} = \text{Capital} + \text{Income} + \text{Liabilities}$.
- Emphasize the formats of the different statements and the accompanying notes. Stress that examiners will not always provide details and amounts to assist.
- Examples from various textbooks and past year exam papers must be used for short class tests. Older examination papers must be adapted to comply with the changes of CAPS.
- Form study groups or clusters and encourage stronger candidates to assist and motivate the weaker candidates.
- Share information with colleagues. Set and mark common tasks. Do not rely totally on the District or the Province for material. Remember that learners from different schools have different abilities and proceed at different paces.
- It is important to point out that educators also experience content gaps and are in need of support from their respective districts.

QUESTION 4: CASH FLOW STATEMENT AND INTERPRETATION (75 marks)

(a) General comment on the performance of learners in the specific question. Was the question well answered or poorly answered?

SUB-QUESTION	TOPIC OR ASPECT TESTED	MAX. MARKS	AVERAGE MARK	%
4.1	Matching concepts	4	3	74%
4.2.1	Ordinary Share Capital and Retained Income	16	9,3	58%
4.2.2 – 4.2.3	Cash Flow Statement – calculations	10	5,9	59%
4.2.4	Calculating financial indicators	15	10	67%
4.2.5 – 4.2.8	Interpreting financial information	30	8,2	27%
	Sample of 100 scripts	75	36	48%

- The notes for Shareholders Equity were generally well answered. A small percentage of learners still have problems with calculating the average share price. The calculation for interim dividends had a twist in the tail that did not get past the well-prepared candidates.
- Calculating the financial indicators were well answered. The cash and cash equivalent note was poorly answered.
- Interpretation of financial information continue to be the stumbling block for many learners. The well-prepared learner gave the expected responses as explained in textbooks and marking guidelines of past papers and scored good marks. The below-average candidates lacked the language proficiency to express themselves clearly. A fair percentage of learners did not attempt these questions.

(b) Why the question was poorly answered? Also provide specific examples, indicate common errors committed by learners in this question, and any misconceptions.

Learners study in a stereotypical way. They concentrate on set formats and arrangement of work. As such, they are unable to deal with minor changes or different approaches to presenting the same basic information. Example, in 4.2.1, learners were given the total dividends paid and were required to calculate the interim dividend. They are more familiar with calculating dividends paid using the interim dividend amount.

- 4.2.6 Required a calculation for the dividend pay-out policy. Many explained the increase in the dividends paid and made no reference to the earnings per share.
- 4.2.7 The concept of majority shareholding was poorly answered.
- 4.2.8 Learners were not able to identify the sources of funding. The rest of the question (6 marks) depended on the correct sources being identified.

(c) Provide suggestions for improvement in relation to Teaching and Learning

- Learners' prior knowledge must be assessed before proceeding with the specific content of this section. This must cover basic terminology, accounting principles and practices as well as templates of financial statements. Sections such as financial indicators, internal controls and audit process are introduced in Grade 11 – they must be revised.
- A thorough understanding of the Income Statement and the Balance Sheet is necessary to prepare the Cash Flow Statement.
- Using past-year examination papers will expose one to the different ways in which this question can be asked. It must be noted that the entire Cash Flow Statement is seldom tested. Notes are usually not required, but workings must be shown to score part marks.
- Projects and assignments can be used to encourage learners to research current issues and practices in a real world environment.
- Healthy class discussions and debates on evaluating financial indicators of different companies will broaden learners' knowledge on how to respond effectively to examination-type questions.
- Past-year examination marking guidelines offer a variety of alternative answers and suggestions. Learners must develop their technique to respond in that concise way.

(d) Describe any other specific observations relating to responses of learners

- Candidates still have difficulty in calculating the net change in cash when there is a bank overdraft.
- Calculating the average share price relevant for the Retained Income note is still not clearly understood.
- Comments are very stereotyped and clichéd, often used in the wrong contexts.
- Easy marks are lost for not quoting figures which are generally given in the question paper, and for not adding up columns to score the methods.
- Failure to read and understand the requirements of the questions; Example, providing lengthy comments in 4.2.5 when only financial indicators with trends were required; and 4.2.6 required calculations only (no comments).

(e) Any other comments useful to teachers, subject advisors, teacher development etc.

- Company financial statements, especially the Cash Flow Statement and interpretation has appeared in all previous papers, and is expected to appear in all future papers.
- Educators must accept this fact and prepare effectively to overcome the challenges they face – some of which include content knowledge, time management and under-performing candidates.
- Supplementary material and lessons learned at workshops must reach the classroom.
- Cluster meetings and subject clusters can contribute to sharing ideas, material and SBA tasks. Setting common test dates will encourage educators to manage their time to complete the relevant sections in time for the common tests.
- Subject advisors must use their lead teachers as mentors to encourage the novice educators.

QUESTION 5: INVENTORY VALUATION AND PROBLEM SOLVING (30 marks)

(a) General comment on the performance of learners in the specific question. Was the question well answered or poorly answered?

SUB-QUESTION	TOPIC OR ASPECT TESTED	MAX. MARKS	AVERAGE MARK	%
5.1.1	Explaining stock valuation methods	4	1,6	40%
5.1.2 – 5.1.3	Calculations – specific identification method	11	6,2	56%
5.2	Problem Solving – managing stock	15	6,5	43%
	Sample of 100 scripts	30	14	47%

- It was disappointing to note that almost 95% of the sample were not able to explain the specific identification method of stock valuation. This was considered to be the easy part of the question.
- Question 5.1.3 uncovered a number of issues in the calculation of the closing stock figure using the specific identification method. As such, a variety of calculation options were provided.
- The problem solving question (5.2) generally targets the well prepared candidates. It was pleasing to note that a large percentage of learners attempted this question with varying degrees of success.

(b) Why the question was poorly answered? Also provide specific examples, indicate common errors committed by learners in this question, and any misconceptions.

- 5.1.1 – Specific identification was tested for the first time in a final examination paper and I suspect that learners were not expecting to see it in this paper.
- 5.1.3 – Lack of adequate preparation in this section of the topic led to learners improvising - using the figures provided in inappropriate and irrelevant calculations.

(c) Provide suggestions for improvement in relation to Teaching and Learning

- Questions in Stock Valuation is predictable - The different methods are used to calculate the value of the closing stock, cost of sales and the gross profit.
- The challenge-calculations will include missing stock amount and financial indicators involving stock.
- This topic lends itself to problem solving scenarios, including internal control measures and ethical issues. As stock control is the back-bone of any business enterprise, the topic can easily be integrated into other topics of the syllabus such as cost accounting, budgeting and financial statements.

(d) Describe any other specific observations relating to responses of learners

- Learners are not clear about the different stock valuation methods. Whilst they are able to perform some calculations, they misunderstand the relevance or the need for different methods. In explaining specific identification, they do not mention the cost price per item.
- Many candidates simply used the figures from the table to calculate the weighted average figure.

(e) Any other comments useful to teachers, subject advisors, teacher development etc.

- Clarify the terms perpetual and periodic systems of stock management as discussed in Grade 11.
- Provide very basic tables of information and use the same set of information to explain the three stock valuation methods. Learners will then be able to clearly see the differences.
- Have class discussions on the need for each method – focus on the nature of the goods being valued. Use practical examples to illustrate the point.
- Past year exam papers provide many useful examples. Educators can adapt the questions to focus on specific areas they wish to test.
- Introduce the higher order component of interpretation and financial indicators related to stock control at different stages of class lessons.

QUESTION 6: BUDGETING (40 marks)

(a) General comment on the performance of learners in the specific question. Was the question well answered or poorly answered?

SUB-QUESTION	TOPIC OR ASPECT TESTED	MAX. MARKS	AVERAGE MARK	%
6.1	Identifying Budget and Projected Income Statement items	4	2,4	59%
6.2	Debtors collection schedule	9	5,5	61%
6.3	Calculating missing amounts on a budget	18	9,5	53%
6.4	Analysing budget vs actual information	9	1,5	17%
Sample of 100 scripts		40	18	46

6.1 and 6.2 were well answered. Some candidates included additional incorrect items in 6.1 and were penalised. The debtors' collection schedule is part of the Grade 11 syllabus. Many obtained 7/9 marks. The calculations in 6.3 were satisfactory. 6.3 (d) appeared to be the difficult calculation where a large percentage of candidates were able to score only 3/6 for workings. 6.4 was poorly answered. Learners experienced difficulty in analysing the actual amounts against the budgeted figures.

(b) Why the question was poorly answered? Also provide specific examples, indicate common errors committed by learners in this question, and any misconceptions.

- 6.3 – Poor mathematical skills to perform calculations - percentages and ratios in 6.3 (c) and (d).
- 6.4 – Poor reasoning ability to critically evaluate given information and draw conclusions.

(c) Provide suggestions for improvement in relation to Teaching and Learning

- The differences between a cash budget and a projected income statement must be made clear.
- Terms and concepts such as income vs receipts and expenses payments must be clarified. This is best achieved by the use of appropriate examples of balance sheet accounts, nominal accounts, and cash and non-cash items.
- A variety of exercises and activities extracted from past-year examination papers and study guides must be given and time must be spent in doing the corrections in class.
- Class discussions and practical exercises such as preparing a budget for special occasions, a school function or an event will provide good insight into the factors that must be considered in budgeting.
- Regular aspect testing will assist in identifying weaknesses and candidates with difficulties.

(d) Describe any other specific observations relating to responses of learners

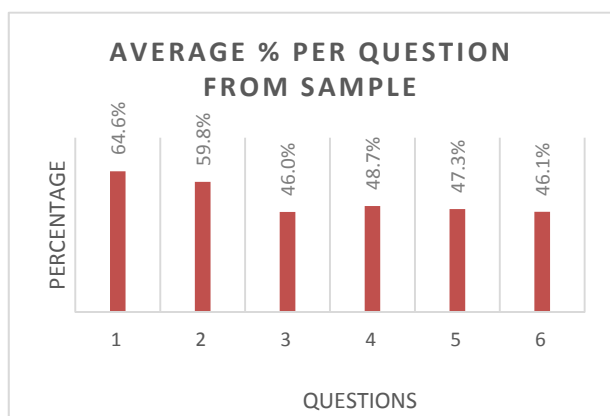
- Performing mathematical calculations is still a problem. Candidates cannot formulate simple equations and solve the unknown.
- Learners were not able to analyze the budgeted figures against the actual figures beyond merely stating that they were either over-budgeted or under budgeted.

(e) Any other comments useful to teachers, subject advisors, teacher development etc.

- Recap the preparation of Cash Budgets and Projected Income Statement using the basic structure from the Grade 11 syllabus. Proceed from the easy to the more involved calculations.
- Revise many examples from past year examination papers – look for the different approaches used to test the same content.
- Schedule short class test, projects and assignments at regular intervals.
- Work together on a class project such as a farewell function or a dinner dance to illustrate the practical application of the budgetary principles in a real life situation.

CONCLUDING REMARKS : Advice for Educators

- Accounting educators must plan for the year (Annual Teaching Plan) in a practical and a realistic way.
- Allocate time for the recap of Grade 10 and 11 content that extends into Grade 12.
- All tests, examination and SBA tasks must be marked, controlled and recorded. Learners must be given feedback on an on-going basis.
- Classwork and homework must also be controlled and checked regularly.
- Schedule extra classes to fit your programme and encourage learners to attend other programmes organized by the Department of Education (DOE).
- Ensure that all learners have a textbook. Provide them with additional resources such as the Exam Prep Series and Mind the Gap.
- Compile your own resource library of relevant resource material including the Companies Act, The King Code, magazines and an item bank of questions that you can adapt for tests and assignments.
- Keep records of learners with poor discipline and report to school management and parents.
- Be an active member in cluster groups and in any mentoring programme organized by the DOE.



Q	TOPIC
1	Cost Accounting
2	Reconciliation
3	Income Statement
4	Cash Flow Statement
5	Stock Valuation
6	Budgeting

AREAS OF CONCERN

QUESTION	AVERAGE %	DESCRIPTION / NATURE OF QUESTION
1.2.4	48,7%	Internal controls in a manufacturing concern
3.3	44,6%	Income Statement and adjustments
4.2.5 – 4.2.8	27,4%	Interpretation and commenting on financial information
5.1.1	39,8%	Explaining Specific Identification stock valuation method
5.2	43%	Problem-solving – Management of stock
6.4	17,1%	Interpretation of budgeted vs actual figures