



NSC 2015 CHIEF MARKER'S REPORT

SUBJECT	ACCOUNTING
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PAPER	1
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DATE OF EXAMINATION:	NOVEMBER 2015	DURATION:	3 HOURS
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This section of the instrument is aimed at providing valuable feedback to schools, subject advisors, teachers and learners about common errors committed by candidates in the answering of questions, to assist teachers and subject advisors to identify areas that need to be given special attention in the teaching and learning of the subject in 2016.

Your responses will be based on two parts:

Section 1: General overview of Learner performance in the question paper as a whole

Section 2: Comment on candidates' performance on individual questions (Detailed explanations must be provided **per question** as follows: (You may include sub questions where necessary)

- General comment on the performance of learners in the specific question. Was the question well answered or poorly answered?
- Why the question was poorly answered?
- Provide suggestion for improvement in relation to teaching and learning
- Describe any other specific observations relating to responses of learners
- Any other comments useful to teachers, subject advisors, teacher development

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

The paper was well balanced and credible. It tested a wide range of topics from across the Accounting syllabus and it also catered for the different cognitive levels. All questions followed a cascading system with an introductory lower order sub-question and proceeded to more challenging analysis and interpretative sub-questions. This ensured that all candidates were able to attempt every question, at least in part.

The style and layout modelled the trends set in previous years. The well-prepared candidates were expected to do well due to the predictable nature of the question paper. At least 30% of the paper involved some form of analysis and interpretation of accounting information. This tested understanding and insight and is regarded as higher-order questioning. Some open-ended questions also afforded the average candidates the opportunity to express their knowledge of the real world situations. Unfortunately, markers need to be trained to be more divergent in their thinking and award marks to comments that go beyond the marking guideline.

Overall, the performance was not satisfactory. It is still a concern that a large percentage of candidates do not make use of past-year examination papers in their preparation for the finals. Accounting is regarded as one of the critical subjects. As such, consistent hard work is demanded – this must start in Grade 10.

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

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

Average mark from the sample of 100 :		15/40 (36,3%)
SUB-QUESTION	TOPIC OR ASPECT TESTED	AVERAGE % FROM SAMPLE
1.1	Bank Reconciliation and Internal Controls	35,3%
1.2	Debtors Age Analysis	38,5%

The performance in this question was generally poor. The responses clearly showed a lack of understanding of basic principles of bank reconciliation which form part of the Grade 11 syllabus. Debtors' age analysis is purely interpretative. Candidates lack the ability to critically analyse financial information and comment on their findings.

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

Grade 12 candidates are expected to analyse and interpret reconciliation information (preparing actual reconciliation statements forms part of the Grade 11 syllabus). As such, interpretive skills are required. Examiners also present the information in different ways, whilst educators drill stereotype formats and arrangements, Example, 1.1.1 is technically preparing the journals and posting to the Bank Account but asked as a calculation. Candidates also lack the ability to distinguish between problems, comments and advice.

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

It is necessary to revise the Grade 11 basic bank reconciliation concepts and procedures in Grade 12. A short revision/recap test may be useful in identifying weaknesses and steps can be taken to address these during lessons. Using practical examples (bank statements and journals) will also contribute to understanding the relevance of doing reconciliations. Educators must move away from giving rules and procedures which are mechanically applied. Class discussions is also helpful in refining interpretive skills. Using past-year examination papers is an essential final step. These highlight different approaches and interesting scenarios relevant to the section.

Debtors' age analysis is always tested in the same predictable form. The information is given (calculations are seldom required). Attempting many examples from different resources (texts and study guides) and past year examination papers will assist in developing the interpretive skills that is required to answer this question. Informal class tests and case studies are also useful tools in this regard.

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

Learners are not able to provide meaningful advice for internal control purposes (1.1.3) or to identify problems from a table of information given (1.2.3). They tend to provide stereotype responses that are bandied about in class, at times placing them in inappropriate places. Phrases such as “division of duties”, “security cameras” and “fraud” are examples of clichéd statements/words inserted in the hope that some marks will be scored.

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

Assess the percentage of time that must be spent on this section. Take into account that this is not a big topic. Plan work to achieve a desired outcome within a short period of time. Encourage self-study and enrichment exercises. Subject advisors must assist educators in developing tasks to suit the needs of their learners. They must adapt the tasks provided by the curriculum departments to develop the specific needs of their candidates.

QUESTION 2

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

Average mark from the sample of 100 :		22/50 (44%)
SUB-QUESTION	TOPIC OR ASPECT TESTED	AVERAGE % FROM SAMPLE
2.1	Inventory Valuation	47,9%
2.2	Internal Controls	40%

Stock valuation calculations (2.1.2; 2.1.4 and 2.2.1) were answered well by the majority. This can be attributed to the predictable nature of these questions. Commenting, providing advice and problem solving (2.2.2, 2.2.3) were poorly answered. Calculating the stock holding period and using the information to comment on different products was a challenge for many.

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

- 2.1.1 – Candidates provided examples rather than explain. They also failed to make a comparison.
- 2.1.3 – Calculating a ratio is not usually expected to be integrated in this section. Many did not know the correct formula or the fact that they could use the closing stock figure only in this financial indicator.
- 2.2.3 – Many concentrated on the mark-up percentage as a basis for the advice, rather than the level of stock on hand that was influencing sales. Example, shirts were marked up by 107%, but sales was good and the holding period was 14 days. Increasing the price due to demand makes economic sense in this case.

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

Stock valuation questions are very predictable. They involve the calculation of the closing stock, cost of sales and gross profit. To introduce challenge in this section, examiners would introduce some integration with stock related financial indicators and/or operating efficiency financial indicators. Educators need to be mindful of this and introduce learners to different scenarios concerning stock. The section also lends itself to thought-provoking problem solving questions. These can be used as case studies and assignments for SBA purposes.

In preparing for examinations, one cannot over-emphasize the usefulness of past-year examination papers. Selected questions must be introduced at the point of reference during the year and not be used only at the end of the year for revision. Informal class tests must be conducted on an on-going basis. This will provide effective feedback to educators. More time can then be spent on areas of concern.

(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 do the calculations, they misunderstand the relevance or the need for different methods. As such, they are not able to motivate in favour of one system over another (2.1.4).

Candidates showed some understanding of stock holding period, but were not able to explain the impact of this indicator on stock control and price setting (2.2.2).

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

This topic falls under the Managing Resources field of the syllabus. It provides opportunities for practical examples which can be explained in practical terms using everyday examples. Educators must take the initiative to create interesting activities (case studies and assignments) that will enhance the understanding of stock recording and control and encourage class discussions to hone the language and interpretive skills of learners.



QUESTION 3

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

Average mark from the sample of 100 :		28/60 (46,8%)
SUB-QUESTION	TOPIC OR ASPECT TESTED	AVERAGE % FROM SAMPLE
3.1.1 – 3.1.2	Income Statement and Retained Income	53,5%
3.1.3	Balance Sheet	44,2%
3.2	Audit Report	35,3%

Correcting the net profit for adjustments not taken into account was poorly answered (3.1.1). This represented an unfamiliar way of testing the Income Statement and is therefore categorized as a higher order question.

The Retained Income note and the Balance Sheet were answered well. It was evident that more attention was given to the calculation of the share buy-back portion, the final dividends and the current portion of the loan. Many were still not able to calculate the above but were able to disclose their incorrect calculations correctly, thereby earning the method marks allocated.

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

In the Retained Income note, the common error was the calculation of the final dividends. Learners were unable to determine the number of shareholders that were entitled to final dividends. For the Balance Sheet, they were not able to calculate the average share price and the current portion of the loan. Misplaced items were widespread, and many combined the current liability information in Trade and Other Payables. Completing the Balance Sheet from the Equity and Liabilities section required insight on the relationship between the different sections of a Balance Sheet. This was lacking due to poor prior knowledge.

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

Financial statements are introduced in Grade 10. Constant practice and application is the only way to gain confidence in this topic. It is an on-going process of trial and error. Educators must always refer to the basics for every section. Balance sheet accounts, nominal accounts and the accounting equation must filter into all lessons on this topic. The extended accounting equation (**Assets + Expenses + Drawings = Capital + Income + Liabilities**) is an effective tool in developing an understanding of financial statements and how they impact on other areas of a business, such as management of personnel, stock, cash, the external environment, etc. At times, the answer book provide details – and at other times marks are awarded for details. One must be able to recognize balance sheet account from nominal accounts to avoid being penalised for foreign entries.

As revision, short class tests, format testing and examples from past-year examination papers are useful. The second term project on published financial statements must be further interrogated in class discussions to boost the language skills and confidence of learners. Naturally, the educator is also expected to empower himself/herself with the latest trends, policies and current affairs and impart this knowledge with authority and confidence.



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

Many still have difficulty in calculating the average share price and dealing with the share buyback, appropriately. Adjustments for accruals and pre-payments which are covered in Grade 11 also posed some problems in completing the Balance Sheet. Many items are still being misplaced on the Balance Sheet.

The auditing question tested a disclaimer of opinion audit report. Learners were not able to comment on the consequences of such a report for the company and the CEO. Marks were awarded for incomplete answers such as “fire the CEO” or “investigate the company”. The marking guideline expected an explanation for 2 marks.

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

Financial statements can only be mastered through repetitive exercises. Using templates, class tests and activities from various textbooks is beneficial. Class discussion emphasizing the basic concepts and terminology will contribute to a better understanding of the relationship between the different sections of the statements.

QUESTION 4

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

Average mark from the sample of 100 :		$30/65$ (45,3%)
SUB-QUESTION	TOPIC OR ASPECT TESTED	AVERAGE % FROM SAMPLE
4.1	Concepts	64%
4.2.1 – 4.2.2	Cash flow calculations	48,4%
4.2.3	Financial indicators - calculations	59,2%
4.3	Analysis – two companies	30,6%

The basic concepts (4.1) and the calculations for the cash flow statement (4.2.1) were answered well. The calculation of the net change in cash and cash equivalents did pose some difficulties due to the opening balance being in overdraft as well as a current asset portion. Many only addressed the current asset portion and neglected to take into account the overdraft. Others confused the negative and positive effect of the amounts in question.

In 4.2.2, the calculation of the proceeds from shares issued and the average share price was poorly handled.

The analysis of financial indicators of two companies (4.3) was answered well by a small percentage of well-prepared candidates. They showed a good understanding of relating appropriate indicators to investment decisions. A fair percentage of learners attempted to comment, with little success. Many did not attempt this sub-question.

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

Learners showed some confusion about the different treatment of share buyback for the balance sheet purposes and cash flow statement purpose. They had difficulty identifying the inflow and outflow of cash (making effective use of the brackets).

4.3 required insight and creative thinking. Learners were expected to make a choice of company by analysing and interpreting the financial indicators of two companies. Many candidates were able to quote the relevant financial indicators but were not able to comment clearly with understanding and insight. Simply mentioning the trends (increase or decrease) was not good enough. Learners had to provide clear evidence why they chose one company over the other.

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

Educators must introduce topics by assessing prior knowledge. A good understanding of the Balance Sheet and the Income Statement is essential before progressing to the Cash Flow Statement – preparing the Cash Flow Statement is dependent on the information from these financial statements. Learners are expected to extract and use the relevant information only.

Each section of the Cash Flow Statement must be addressed independently, progressing from the known (simple) to the unknown (complex). Using past-year examination papers will expose one to the different ways in which this question can be asked. Notes to the CFS are usually not required but marks will be awarded for all workings shown. This can accumulate to a number of marks inclusive of the method marks on the final answers.

Skilful use of SBA tasks can assist with time management. Get learners to do assignments and case studies under test conditions and have class discussions around the answers in the form of feedback. Past-year examination marking guidelines give a variety of alternative answers. Learners must be encouraged to debate and discuss using the appropriate language (content specific).

If time permits, guest presenters from financial institutions, SARS and accounting firms can give insight on the relevance of accounting in the real world.

(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.
- The share buy-back (outflow) 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.

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

Company financial statements and interpretation is a predictable question. With this in mind, we need to take ownership and address our weaknesses first. Attending content gap workshops and seminars are only useful if they are effectively transferred into the classroom. Subject advisors must identify strengths and weaknesses within their districts and use the more experienced educators to mentor the novice educators. Forming subject clusters and meeting to achieve specific goals rather than just talk-shops will contribute in bridging the content gap. These must be on-going and not just malicious compliance. Sharing ideas and assessment tasks will ensure uniformity as well as broaden the scope of activities you can offer your learners. Although it is useful to offer common tasks, educators must be encouraged to set tasks to achieve specific outcomes. In this way, they will also develop their setting skills.



QUESTION 5

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

Average mark from the sample of 100 :		16/50 (32,6%)
SUB-QUESTION	TOPIC OR ASPECT TESTED	AVERAGE % FROM SAMPLE
5.1	Cash budget	40,7%
5.2	Projected Income Statement and interpretation	25,7%

The Cash Budget (5.1) was generally well answered, aside from some complex calculations such as for Salaries and wages and the Repayment of loan, which were considered to be higher order.

The Projected Income Statement (5.2) involved analysis and interpretation. This was poorly answered. This question required the candidates to analyse the information given and assess the influence of the new competitor, on sales. This formed the problem solving component of this paper; a trend in all Accounting papers.

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

5.1 – lack of mathematical ability to perform simple calculations.

5.2 – many candidates did not reason that the audit fees is an indication of the standard/level of internal controls.

They also lacked the ability to **identify** problems relating to the new competitor and the manner in which the business **responded** to the problem. They often provided examples that were not relevant to answering the questions. Rent expense and directors fees in 5.2.3 are examples of this.

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

The basic structure and differences of a Cash Budget and the Projected Income Statement are introduced in Grade 11. This knowledge include differentiating between cash and non-cash; income and expenses vs. receipts and payments; capital and current; trends and percentages. A short test to assess readiness will give the feedback needed. A good understanding of the concepts is essential. The focus must then shift to more complex calculations and interpretation.

A variety of exercises must be given and time must be spent in doing the corrections in class. Good examples can be extracted from past-year examination papers and study guides. Problem solving exercises and case studies must be introduced to hone the interpretive skills of learners. Class discussions and practical exercises such as preparing a budget for a field trip, a school function or a social will provide good insight into the dynamics of budgeting.

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

- Learners have difficulty calculating percentages and formulating equations to calculate certain amounts (loan).
- In 5.2.2 learners assumed if an expense has the same actual amount as budgeted, that it was an indication of good work done by the internal auditor. It must be noted that a decrease in the actual amount against the budgeted amount is also an example of effective control of expenses.
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(e) Any other comments useful to teachers, subject advisors, teacher development etc.

Educators must spend more time in critically analysing and discussing budgetary information as this is emphasised in Grade 12. For assessment purposes, it is important that past year papers are revised. Short informal class tests are also useful. Projects can be used to develop the management skills of learners, such as organising a field trip. Practical application of the principles will be more meaningful. Hopefully this will filter into the responses they offer in examination papers.

QUESTION 6

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

Average mark from the sample of 100 :		21/35 (61,5%)
SUB-QUESTION	TOPIC OR ASPECT TESTED	AVERAGE % FROM SAMPLE
6.1	Production cost statement	67,4%
6.2	Cost and break-even analysis and interpretation	56,9%

6.1 was answered well. Almost every candidate answered this question and were able to score good marks.

6.2 was also answered well. Learners were able to calculate the break-even point and comment on their findings.

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

6.1 – candidates lost marks for calculations to adjust the factory overhead cost. Such calculations include wages omitted and the apportioning of the water and electricity expense.

6.2 – learners were familiar with commenting on the BEP and production levels. Providing TWO reasons posed some problem. Many lost marks for stating the same reason in different ways.

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

Preparing the Production Cost Statement has appeared in all past examination papers. The challenge in this question comes in the form of calculations and adjustments. Percentages and ratios are used to apportion expenses amongst the different departments. Examiners consistently try to be more creative in testing this section by introducing problem solving scenarios and cost analysis.

Once again, past year papers are a useful tool in preparing for tests and examinations. They offer a wide variety of different approaches to questioning. Regular informal class tests will also provide good feedback in identifying weaknesses. Lessons can then be adapted to address specific areas of concern.

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

In adjusting the factory overhead cost, many did not account for the employer's contribution to wages. A few candidates also used the variable cost in the break-even calculation instead of the variable cost per unit. Explanations and comments was also not very clear.



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

Educators must ensure that the Grade 11 content is clearly understood. This involves the relevant terms and concepts as well as the ledger accounts for stock items and the five cost accounts. The production cost statement is a summary of the above ledger accounts. Encourage learners to structure case studies and problem solving activities to illustrate the relationships between the different cost centres in a manufacturing concern. This can be a useful SBA task. If possible, visit a manufacturing plant (Mercedes Benz) and observe the production process in action.

Mrs M. de Jager

NAME OF THE CHIEF MARKER:

M. de Jager

SIGNATURE

13:12:2015

DATE

