Province of the
EASTERN CAPE
EDUCATION

EXAMINATIONS AND ASSESSMENT CHIEF DIRECTORATE
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2018 NSC CHIEF MARKER'S REPORT

SUBJECT:	**Accounting**
PAPER:	**P1**

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. Five of the six questions provided an easy starter to the question as an introduction and then proceeded to test understanding, interpretation and insight. As such, candidates were supposed to be able to answer all questions, at least in part.

The overall structure and layout conformed to the trends set in past-year papers, though some of the questions (Q 3.3) were asked in an abstract way. The well prepared, stronger candidates were still able to score high marks, but the average candidates experienced more challenges as expected.

The paper contained an appropriate balance of easy, medium and difficult questions. It also includes a number questions which required open-ended problem solving and comments. Markers were required to read carefully and credit candidates for valid responses that were beyond the marking guideline, as prescribed in the principles of marking which forms part of the instructions of the marking guideline.

It was once again, disappointing to note the small percentage of candidates who did really well in the province. Unfortunately, many educators and candidates do not make enough use of previous years question papers and recommendations made in previous reports compiled by Chief Markers and Marking Moderators.

building blocks for growth

Ikamva eliqaqambileyo!

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 (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	Maximum marks	Average mark	%
1.1	Concepts	3	2,61	87%
1.2.	Direct labour cost; Production cost	21	16,33	78%
1.3	Break even and comments	16	10,95	68%
	Sample of 100 scripts	**40**	**30**	**75%**

Being the first question in the paper, this question was answered by most candidates and they did moderately well in this question. The many options available to answer and mark Q1.2.1 were challenging for markers, but it helped candidates to score marks here. The fact that there was no structure here to guide candidates also made it more difficult for candidates, as well as markers. Markers had to check carefully to award the deserved marks.

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

The answer book did not provide a clear structure on how to answer Q1.2.1. In Q1.3.2 candidates struggled to compare the BEP to the production level over the last two years. Many good answers were given, but not from the two different compulsory sections per memo. In Q 1.3.2 and Q 1.3.3 the language barrier led to candidates giving answers that were not related to the question.

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

The impact of a change in BEP should be explained, as it is clear that candidates have no idea of the relation between BEP and production levels.
Candidates should be encouraged to write full sentences, mentioning the facts and then using words like "therefor" to teach them to make a valid deduction from the facts.
Educators should spend more time on analytical scenarios.

(d) Describe any other specific observations relating to responses of learners and comments that are useful to teachers, subject advisors, teacher development etc.

Candidates seem to prefer the accounting aspect of the questions, while they still struggle to express themselves clearly where comments are required. Their answers are generally vague and incomplete.
Answers requiring complicated calculations are challenging for candidates to answer as well as markers to mark. A structure in the answer book could be beneficial to both parties.

QUESTION 2: VAT and CREDITORS' RECONCILIATION (35 marks)

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

Sub-question	Topic	Maximum marks	Average mark	%
2.1	Calculate VAT and Ethics	14	9,32	67%
2.2	Creditor's reconciliation; control	21	10,37	49%
	Sample of 100 scripts	**35**	**20**	**56%**

Question 2 was answered fairly well. Many candidates scored good marks in Q 2.1.1, the calculation of VAT amounts. Q 2.2.1 and Q 2.2.2 were poorly answered. Again candidates found it challenging to give proper comments and advice on VAT issues and internal control.

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

Some candidates are still using VAT at 14% instead of 15%.
In Q 2.2.1 a common error was using the incorrect sign (+/-) in the table provided. Here was also evidence of the language barrier which made it challenging for candidates to decide where to put the amounts.
Many candidates still show a lack of understanding of internal control.

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

The importance and use of internal control should be emphasized.
Question papers from previous years should be used to practice the different formats in which Creditors Reconciliation can be asked.

(d) Describe any other specific observations relating to responses of learners and comments that are useful to teachers, subject advisors, teacher development etc.

When introducing concepts of internal control practical examples should be used.
Expose candidates to scenarios similar to Q 2.2.2 and Q 2.2.3 to practice interpretation and comprehensive insightful answers.

QUESTION 3: FINANCIAL STATEMENTS and AUDIT REPORT (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	Maximum marks	Average mark	%
3.1	Concepts	4	3,37	84%
3.2	Income statement; Balance sheet; Notes	58	34,48	59%
3.3	Audit report	13	3,7	28%
	Sample of 100 scripts	**75**	**41,55**	**55%**

Most candidates were able to do at least part of this question and could apply the correct principles to get many method marks. A fair portion of the candidates earned surprisingly good marks for the adjustments in the Income statement.
In Q 3.2.2 candidates failed to calculate the average share price and most of them struggled with the Balance sheet in Q 3.2.3.
In Q 3.3 the audit report was asked in an ambiguous way and as such candidates gave various responses which were not easy to declare right or wrong. Very low marks were scored in this sub question.

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

The calculation of the figure for Sales was a bit challenging for most candidates. Even though a fair portion of the learners were successful with the adjustments, there were many who were not able to do the adjustments.
Failing to be able to do the reverse calculations, starting with Net profit after tax and working towards Interest income, resulted in poor marks in this question.
In Q 3.2.3 many foreign items were added in the Balance sheet.
The audit report in Q 3.3 was asked very vaguely and this led to very low marks scored here. Candidates tended to just rewrite the extract on the question paper and made commented on general ethical responsibility.

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

Teachers should make sure they cover all topics as prescribes by CAPS and familiarise themselves with the examination guidelines. A variety of previous year question papers, testing various styles of formulating questions, should be used. Internal control and ethics need a lot more attention in preparation for examinations.
Candidates must be able to do the **reverse calculations** in financial statements to get to balancing figures. The importance of workings should be stresses, as candidates can earn valuable marks here.
Workshops for teachers to clarify audit reports and internal control might be useful.

(d)   Describe any other specific observations relating to responses of learners and comments that are useful to teachers, subject advisors, teacher development etc.

Candidates should do intensive revision on financial statements, as it is the core of Accounting. It was clear that very few candidates know how to do the Non-current liabilities part (Loan) in the Balance sheet. Regarding the audit report, candidates should be taught the proper terminology/jargon to use in their answers.
Candidates lost easy marks by not showing their workings.

QUESTION 4: CASH FLOW STATEMENT and INTERPRETATION (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	Maximum marks	Average mark	%
4.1	Calculate financial indicators	10	7,57	76%
4.2	Calculate Cash flow statement figures	11	7,03	64%
4.3	Interpretation of Cash flow statement	18	5,31	30%
4.4	Dividends and shareholding	14	3,76	27%
4.5	Comments; Earnings; Share price	17	7,37	43%
	Sample of 100 scripts	**70**	**31,04**	**44%**

This question was poorly answered, and many did not even attempt this question. Q 4.1 and Q 4.2 were fairly well answered. But candidates really struggled with Q 4.3, Q 4.4 and Q 4.5.1. In Q 4.3.2 candidates confused Total Capital Employed with percentage return on Total Capital Employed. Calculating the majority shares in Q 4.4.3 also seemed to be problematic. It seemed as if many candidates chose to do this question last and time caught up with them. The information on this question covered **four pages** and had too many sub sections and candidates were overwhelmed by the overload of information.

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

In Question 4 there was a lot of information (4 pages) to study before answers could be formulated. Some of the information could be used more than once and candidates tried to use different figures, not to repeat themselves (e.g. increase of capital R4 000 000 in Q 4.3.2). It seemed that some candidates did not understand the concept of majority shareholder. Candidates could not explain how certain decisions affected the business. They do not know the difference between ROTCE and ROSHE either.
Candidates found the explanation of change in Cash and cash equivalents over **two years** confusing.
Q 4.5.2 asked comments on "% return earned", but return on SHE and TCE were given.

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

Thorough revision of previous years question papers is needed before examination and more analytic questions should be done. More debate on different scenarios should be practiced. Reasons for repurchase of shares were neglected.
Candidates should be taught to differentiate between Return on Capital and Return on Shareholders' Equity, as well as ratio's in general.

(d) Describe any other specific observations relating to responses of learners and comments that are useful to teachers, subject advisors, teacher development etc.

Seeing that candidates struggle with analytical questions, this requires much more attention in class.
Explanatory questions should be practised where candidates can get used to "key words" of the subject.

QUESTION 5: INVENTORY VALUATION and FIXED ASSETS (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	Maximum marks	Average mark	%
5.1	Stock concepts	4	3,34	84%
5.2	Inventory valuation; Control	20	11,24	56%
5.3	Fixed assets valuation; Control	21	8,69	41%
	Sample of 100 scripts	**45**	**23,27**	**52%**

This question was well answered, but candidates struggled with Q 5.3.2 and Q5.3.3. In Q 5.2.3 many candidates used average stock instead of closing stock.

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

A common error in Q 5.2.1 and Q 5.2.2 was that candidates did not deduct stock returned.
In Q 5.3.1 many candidates who knew that the carrying value of fixed assets could not be nil, deducted only R1 instead of R3 as per memo and scored only one of the possible two marks, while it was clear they know the principle. Many candidates still cannot do asset disposal.
In Q 5.3.2 candidates confused the internal controls for movable fixed assets with internal control of trading stock.
In Q 5.3.3 candidates clearly did not know the GAAP principle of historical cost. Q 5.3.3 was an interesting and "different way" to apply the principle.

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

Basic principles of GAAP should be taught properly (Gr 10 work). In previous years question papers there are many examples on this kind of questions where candidates can familiarise themselves with this.
It seems that many candidates are not familiar with the fact that old fixed assets should have a carrying value of at least R1.

(d)   Describe any other specific observations relating to responses of learners and comments that are useful to teachers, subject advisors, teacher development etc.

Teachers should always teach with the intention of being able to apply knowledge in real life situations. This would help candidates to understand the required comments and advice much better.
In doing calculations it should be stressed that **workings should always be shown** to earn valuable part marks.

QUESTION 6: CASH BUDGETS (35 marks)

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

Sub-question	Topic	Maximum marks	Average mark	%
6.1	Debtors collection schedule	7	5,18	74%
6.2	Calculate amounts in Cash budget	9	5,56	62%
6.3	Evaluate salaries	5	2,61	52%
6.4	Strategies re competitor	14	4,95	35%
	Sample of 100 scripts	**35**	**18,29**	**52%**

Many candidates did not do this question and it could be seen as the result of poor time management, because those candidates who attempted this question, answered it fairly well. The calculations in Q 6.1 (Debtors collection) were generally well answered.
However, candidates found the comments on decisions taken in Q 6.4 very challenging and scored very low marks here.

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

Some candidates were not trained on time management and therefor did not do this question as it was the last question. Learner fail to analise the questions correctly and as a result they answered Q 6.4.1 to Q 6.4.2. Candidates also fail to show understanding of the concepts of under/over budget and under/over spent.
In Q 6.3 many candidates calculated the increase in salaries correctly, but they fail to explain why they should/ should not be satisfied with the increase, comparing the increase to inflation or the increase of the manager's salary.
Q 6.4.1 referred to September's figures and Q6.4.2 referred to October's figures and this seemed to confuse candidates.

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

Learners should be taught better time management. The quoting of figures in all comments should also be stressed. Candidates should learn to use the correct language/terminology for budgets. More emphasis should be placed on comparison of budgeted and actual figures and under/over spending.

(d)   Describe any other specific observations relating to responses of learners and comments that are useful to teachers, subject advisors, teacher development etc.

Candidates should be taught to do reverse calculations e.g. deriving credit purchases when given cash purchases and percentages.
Examples should be given of factors which a business can control like budgets and spending, compared to factors that cannot be controlled by the management, like new competitors.
Candidates should be trained to at least attempt all questions, even only in part.