



# basic education

Department:  
Basic Education  
**REPUBLIC OF SOUTH AFRICA**

## NATIONAL SENIOR CERTIFICATE

**GRADE 12**

**ACCOUNTING**

**EXEMPLAR 2014**

**MEMORANDUM**

**MARKS: 300**

### MARKING PRINCIPLES:

1. Penalties for foreign items are applied only if the candidate is not losing marks elsewhere in the question for that item (no foreign item penalty for misplaced item). No double penalty applied.
2. Full marks for correct answer. If the answer is incorrect, mark the workings provided.
3. If a pre-adjustment figure is shown as a final figure, allocate the part-mark for the working for that figure (not the method mark for the answer).
4. 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.
5. Where indicated, part-marks may be awarded to differentiate between differing qualities of answers from candidates.
6. Where penalties are applied, the marks for that section of the question cannot be a final negative.
7. Where method marks are awarded for operation, the marker must inspect the reasonableness of the answer before awarding the mark.
8. In awarding method marks, ensure that candidates do not get full marks for any item that is incorrect at least in part.
9. Codes: f = foreign item; p = placement/presentation.

**This memorandum consists of 18 pages.**

## QUESTION 1

1.1.1 Indicate the cost accounts that would be affected by the following in a manufacturing business:

	Details:	Cost account affected:
(a)	Rent paid for factory buildings	Factory overhead
(b)	Overtime paid to factory workers	Direct labour
(c)	Commission paid to salespersons	Selling and distribution
(d)	Cost of raw materials used in the production	Direct/raw materials
(e)	Salary of internal auditor	Administration

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## 1.1.2 ACE CALCULATORS

Production Cost Statement for the year ended 28 February 2013

Direct material cost	✓ 1 161 000
Direct labour cost	✓✓ 636 000
Prime cost	✓ 1 797 000
Factory overhead cost	✓ 810 000
Total production costs	✓ 2 607 000
Work-in-process at beginning of year	✓ 102 000
<i>Check operation</i>	☑ 2 709 000
Work-in-process at end of year <i>Check operation</i>	☑ (249 000)
Cost of production of finished goods	✓ 2 460 000

*Foreign items -1 (max -2)*

10

1.1.3 Calculate the cost of production per unit.

$$\begin{array}{ccc} \checkmark & \checkmark & \checkmark \\ R2\,460\,000 \div 30\,000 \text{ units} = R82,00 \text{ per unit} \end{array}$$

3

**1.2.1 Calculate the break-even point for the year.**

$$\begin{array}{r} \checkmark\checkmark \\ 972\,000 \\ \hline 6,60 - 2,70 \\ 3,90 \\ \checkmark\checkmark \end{array} = \begin{array}{c} \checkmark \\ 249\,230 \text{ or } 249\,231 \end{array}$$

**Comment on the level of production for the year.**

*Compare figures of BEP to production (one mark); Comment (one mark)*

The level of production (540 000 000 bottles) greatly exceeds the break-even point (249 230) ✓. The owners should be satisfied as this means that the business will be earning a very good profit. ✓

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**1.2.2 Despite the fact that the factory workers were given a 10% wage increase, the direct material cost per unit has dropped by 50 cents per unit.**

**What could have caused the difference?**

The workers are operating very efficiently, possibly because Mark has motivated them with an increase which exceeds the inflation rate/possibly because he has trained them well. ✓✓ *One mark for partial/incomplete answer*

**What comment would you make to Mark about the control of this item?**

This is very good. They should aim to maintain the control over this item by continued monitoring and training if necessary. ✓

3

**1.2.3 The fixed costs per unit dropped from R1,90 in 2012 to R1,80 in 2013.**

**Should Mark be satisfied with this?** NO ✓

**What comment would you make to Mark about the control of this item? Provide figures to support your answer.**

Total fixed costs have increased by R174 000.

In 2012 fixed costs were: 420 000 x R1,90 = R798 000 ✓

In 2013 fixed costs were: 540 000 x R1,80 = R972 000 ✓

He must investigate the reasons for the difference (R174 000). ✓

*Poor answer for 1 mark:*

He should be happy because fixed costs have declined by 10 cents per unit.

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1.2.4

**Regarding the incident concerning the office manager, Alex Fynn:**

**Will this be a concern to you? Yes**

**Give a reason for your answer:**

It appears that Alex Fynn might have taken a bribe from Apex Products, which is unethical. ✓✓

**Explain what action you would take as internal auditor. State THREE points.**

*Expected responses:* ✓✓ ✓✓ ✓✓ **Two marks per valid point**

- Investigate whether Mr Fynn had the authority to sign the contract, whether the contract went out to tender (whether the business' procurement policies were adhered to and what the prices of other bottle suppliers are).
- Question Mr Fynn on the acceptance of the laptop and if a suitable explanation is not provided, report the facts to the owner of the business for possible disciplinary sanction of Mr Fynn.
- If any internal control procedures are deficient, rectify these immediately and ensure that fair tenders are applied in future.

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## QUESTION 2

2.1

Make a list of the changes to Aqua Wholesalers' account in the Creditors' Ledger, which the bookkeeper should process to correct the errors or omissions. Give a brief description in the Details column and show the changes to the balances in the Amount column.

Details		Amount
<b>Pre-adjustment balance in Creditors' Ledger</b>	✓	# 44 571
Discount cancelled	✓✓	884
Correction of Debit note 89	✓✓	54
Correction of Invoice 141	✓✓	(840)
Discount on 22 July	✓✓	(900)
Correction of subtraction error	✓✓	# 10 000
<b>Correct balance</b>	☑	<u>53 769</u>

# R10 000 could be added to the opening balance (i.e. R54 571 for 3 marks).

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2.2

**Creditor's Reconciliation Statement of Aqua Wholesalers on 31 July 2013**

Details		Amount
<b>Balance per statement received from Aqua Wholesalers</b>	✓	19 479
Correction of CN1042	✓✓	3 900
Correction of Invoice 2810	✓✓	(414)
Transfer of balance (JV450)	✓✓	(1 800)
Invoice 3056	✓✓	32 604
<b>Correct balance</b>	☑	<u>53 769</u>

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2.3

**The owner of Organic Traders is unhappy with the errors which occurred and resulted in inaccurate records in their books. Briefly explain TWO measures that Organic Traders can implement in order to maintain good control over their creditors and to avoid this from happening in future.**

Any TWO valid measures ✓✓ ✓✓ ✓✓

- Division of duties: The duty performed by one employee serves as a check on another employee, e.g. the person doing the payments is not the same person recording the entries or ordering the stock
- Accurate documentation: Ensure that all documents are correctly recorded and check recording against source document
- Continue doing regular reconciliations to creditors' statements. This process is intended as a control measure to pick up errors such as this.

4

2.4

**Organic Traders is experiencing cash problems and is currently in a position where they are not able to pay their creditors on time. Aqua Wholesalers has granted them a credit limit of R40 000. All their current creditors require them to pay within 30 days and they allow their customers credit terms of 60 days. Suggest TWO ways in which the liquidity position can be improved.**

TWO valid points ✓✓ ✓✓

- He needs to negotiate longer terms with his creditors.
- Find other suppliers who allow longer credit terms.
- Negotiate a higher credit limit with his suppliers.
- Encourage customers to pay sooner, e.g. discounts on prompt payments.

4

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### QUESTION 3

3.1

**Explain to the shareholders what the main difference is between a projected income statement and a Cash Budget.**

Explanation of projected income statement ✓

- The projected income statement projects the profits and losses.
- The projected income statement projects future expenses and income.

Explanation of Cash Budget ✓

- The Cash Budget projects future cash surplus or deficit.
- The Cash Budget projects future receipts and payments.

2

3.2

**Name TWO items that could be included in 'other operating expenses'.**

Any TWO valid items ✓ ✓

Possible answers:

- Packing material
- Stationery
- Printing
- Rates
- Electricity and water
- Telephone

2

3.3

**Debtors' Collection Schedule for July and August 2013**

	Credit sales	July collections	August collections
May	R660 000	✓ 132 000	
June	R680 000	✓ 238 000	✓ 136 000
July	R800 000	✓✓ 304 000	✓ 280 000
August	R800 000	If same as above	☑ 304 000
<b>TOTAL</b>	Operation both totals	☑ 674 000	720 000

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3.4.1

Calculate the % increase in sales in September 2013.

$$\frac{240\,000 \checkmark}{1\,200\,000 \checkmark} \times \frac{100}{1}$$

= 20% ☒ Operation one part correct

3

3.4.2

Calculate the rent income amount for September 2013. Note that the company is budgeting for a 12% increase in rent starting 1 September 2013.

8 500 + 12% = R9 520 ✓✓

2

3.4.3

Calculate the total sales for August 2013.

1 200 000 ✓ ÷ 60 ✓ × 100 ✓ = R2 000 000 ☒ Operation one part correct

4

3.4.4

Calculate the amount that will be paid to creditors during September.

✓          ✓          ✓          ☒ Operation one part correct  
 $2\,000\,000 \times \frac{100}{160} \times 80\% = R1\,000\,000$

4

3.4.5

Calculate the amount that will be paid for interim dividends in September 2013.

235 000 ✓✓ × 40 ✓ cents = R94 000 ☒ Operation one part correct

4

3.4.6

Calculate what the buy-back of shares will cost the company in September 2013.

55 000 ✓ × R15,50 ✓ = R852 500 ☒ Operation one part correct

3

3.4.7

Calculate the interest that will be received for September 2013.

300 000 ✓ × 8% ✓ ÷ 12 ✓ = R2 000 ☒ Operation one part correct

4



**3.5.1 What does this amount represent, since the financial year-end of this company is annually at the end of February?**

A provisional tax payment ✓✓

2

**3.5.2 How will this amount be calculated?**

It will be calculated on the profits projected in the projected income statement.  
✓✓

2

**3.6.1 Explain why you believe the shareholders feel this way regarding the collection from debtors.**

Explanation ✓✓

The credit terms of the company is 30 days, yet only 75% of all debtors are paying within this time.

2

**3.6.2 Suggest TWO measures that can be introduced to improve the situation.**

TWO measures ✓ ✓

- Charge interest on overdue accounts
- Offer bigger discount for prompt payment
- Send regular reminders

2

**3.7 Explain what you would say to the directors about each of the following items. Explain ONE point of advice in each case.**

	<b>COMMENT TO DIRECTORS</b> ✓ ✓ ✓	<b>ADVICE</b> ✓ ✓ ✓
<b>Advertising</b>	The expense is much higher than the budgeted amount.	They should stick to the budgeted amount or consider different advertising techniques.
<b>Training of employees</b>	The budgeted amount has not been used.	Training is an important aspect of any company and should be used.
<b>Rent income</b>	Significantly under budget (actual less than budget)/Budget was unrealistically high.	Investigate shortfall, e.g. poor collection, tenant has left, etc. to rectify this problem/tenants to sign debit orders/appoint a rent collector/charge interest on slow payers.

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## QUESTION 4

### 4.1 PROSPECT LIMITED EXTRACT FROM THE BALANCE SHEET ON 31 MARCH 2013

	Note	See notes 7 & 8	
Shareholders' equity ✓		✓ 3 616 000	
Ordinary share capital ✓	7.	✓ 1 792 000	
Retained income ✓	8.	✓ 1 824 000	6

### 4.2 NOTES TO THE FINANCIAL STATEMENTS

#### Note 7. ORDINARY SHARE CAPITAL ISSUED

✓ 400 000 ordinary shares in issue at beginning of year (1 250 000 ✓ + 1 050 000 ✓)	✓ 2 300 000	
✓ 100 000 ordinary shares issued during year at R9,00 ✓ each	✓ 900 000	
✓ 220 000 shares repurchased (R6,40 ✓✓ average price) One part correct	✓ (1 408 000)	
✓ 280 000 ordinary shares in issue at end of year	✓ 1 792 000	13

Check operation

#### Note 8. RETAINED INCOME

Balance at beginning of year	✓ 1 960 000	
✓ Net profit after tax	✓ 1 600 000	
✓ Repurchase of 220 000 shares (at R4,30 above average price) One part correct	✓✓✓ (946 000)	
✓ Dividends for year	(790 000)	
Interim (400 000 ✓ x 70c ✓)	✓ 280 000	
Final (500 000 ✓ x 102c ✓)	✓ 510 000	
Balance at end of year Check operation	✓ 1 824 000	15

### 4.3 Net asset value per share on 31 March 2013 after the repurchase of shares

See 4.1 ✓	See 4.2 ✓	Operation, one part correct ✓✓	
R3 616 000 ÷ 280 000 shares = 1291,4 cents or R12,91			4

4.4

**In your opinion, are the complaints by the Gaptu family about the dividends valid, or not? Explain.**

*Excellent answer = 4 marks; Good = 3; Satisfactory = 2; Poor = 1; Incorrect = 0*

No. The company has been paying out just less than 50% of earnings over the past two years (e.g. 172 cents out of earnings of 356,6 cents/240 cents out of earnings of 488,9 cents). They are retaining income for future development. The Gaptu family are obviously looking for high dividends which would not have been responsible management.

4

4.5

**Have the Gaptu family been offered a fair value for their shares? Explain.**

*Excellent answer = 3 marks; Good = 2; Satisfactory/Poor = 1; Incorrect = 0*

Yes. The price offered of R10,70 is 30 cents more than the price on the JSE and it is R4,30 above the average issue price.

3

4.6

**In your opinion, will the repurchase of the shares from the Gaptu family benefit the remaining shareholders, or not? Explain.**

*Excellent answer = 5 marks; Good = 4/3; Satisfactory = 3/2; Poor = 1; Incorrect = 0*

Yes: *Maximum 5 marks*

- After the repurchase of the shares the NAV has increased to R12,91 per share because there are now only 280 000 shares in the company. This is likely to have a positive effect on price on the JSE.
- If the repurchase had not taken place, the NAV would have been only R11,94.
- Assuming profit remains the same at R1,6m next year, EPS would be 571,4 cents (because of fewer shares) compared to 356,6 cents in 2013. This will also have a positive effect on share price and dividends per share.

OR

No: *Maximum 2 marks*

Equity is reduced by R2 354 000 as a result of the repurchase. This will severely affect the operating activities of the company.

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**Workings:**

If the repurchase of 220 000 had not taken place:

OSHE would = R3 200 000 + R2 770 000 = R5 970 000

NAV would = R5 970 000 ÷ 500 000 shares = R11,94

Assuming profit remains the same next year at

R1 600 000:

EPS would = R1 600 000 ÷ 280 000 = 571,4 cents

## QUESTION 5

5.1

5.1.1	C✓
5.1.2	E✓
5.1.3	D✓
5.1.4	A✓
5.1.5	B✓

5

5.2

### BELLCO LIMITED

#### CASH FLOW STATEMENT FOR THE YEAR ENDED 31 AUGUST 2013

<b>Cash effects of operating activities</b>	<b>1 293 000</b>
Cash generated from operations	<b>4 062 000</b>
Interest paid	<b>(462 000)</b>
Dividends paid (620 000✓ + 770 000✓)	✓ (1 390 000)
Income tax paid (780 000✓ + 72 000✓ + 65 000✓) 7	✓ (917 000)
<b>Cash effects of investing activities</b> <i>Check operation</i>	<input checked="" type="checkbox"/> (441 000)
Purchase of fixed assets	<b>(880 000)</b>
Proceeds of sale of fixed assets <i>One part correct</i>	# <input checked="" type="checkbox"/> <input checked="" type="checkbox"/> <input checked="" type="checkbox"/> 89 000
Investments matured 6	✓✓ 350 000
<b>Cash effects of financing activities</b> <i>Check operation</i>	<input checked="" type="checkbox"/> (112 000)
Proceeds of issue of share capital	*✓✓ 3 440 000
Repurchase of share capital 840 000 + 312 000 OR 120 000 x 9,60	*✓✓✓ (1 152 000)
<b>Repayment of loans</b> 6	<b>(2 400 000)</b>
<b>[Check marks under Cash effects]</b>	
<b>Net change in cash &amp; cash equivalents</b> <i>Check operation</i>	<input checked="" type="checkbox"/> 740 000
<b>Cash &amp; cash equivalents at beginning of year</b>	✓✓ (200 000)
<b>Cash &amp; cash equivalents at end of year</b> 3	<b>540 000</b>

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# Workings for fixed assets: 12 357 000 + 880 000 – **89 000** – 1 010 000 = 12 138 000

\*Workings for financing activities (note that alternative valid entries are acceptable):

ORDINARY SHARE CAPITAL	
Bank 840 000	b/d 6 360 000
c/d 8 960 000	Bank 3440 000
<b>9 800 000</b>	<b>9 800 000</b>
	b/d 8 960 000

RETAINED INCOME	
Bank 312 000	b/d 2235 000
c/d 2 051 400	App 128 400
<b>2 363 400</b>	<b>2 363 400</b>
	b/d 2 363 400

APPROPRIATION	
780 000	2 600 000
1 691 600	
RI 128 400	
<b>2 600 000</b>	<b>2 600 000</b>

**5.3.1 Calculation of acid-test ratio**

$$\begin{array}{ccc} \checkmark\checkmark & & \checkmark \\ 1\,745\,000 : 1\,841\,600 & = & 0,9 : 1 \end{array}$$

Operation, one part correct



4

**5.3.2 Calculation of % return on average shareholders' equity**

$$\begin{array}{ccc} \checkmark & & \\ \frac{1\,820\,000}{\frac{1}{2}(11\,011\,400 + 8\,595\,000)} & \times \frac{100}{1} = & 18,6\% \\ 9\,803\,200 & & \\ \checkmark\checkmark & & \end{array}$$

Operation, one part correct



4

**5.3.3 Calculation of debt-equity ratio**

$$\begin{array}{ccc} \checkmark & & \checkmark \\ 3\,000\,000 : 11\,011\,400 & = & 0,3 : 1 \end{array}$$

Operation, one part correct



3

**5.3.4 Calculation of % return on average capital employed (use net income before tax)**

$$\begin{array}{ccc} \checkmark & & \\ \frac{3\,062\,000}{\frac{1}{2}(14\,011\,400 + 13\,995\,000)} & \times \frac{100}{1} = & 21,9\% \\ 14\,003\,200 & & \\ \checkmark\checkmark & & \end{array}$$

Operation, one part correct



4

**5.4 The directors are pleased that the operating efficiency of the business has improved. Quote and explain TWO financial indicators to support their opinion.**

Good answers = 2 marks each; partial = 1 mark; incorrect = 0.

Operating expenses on sales have decreased from 44,5% to 37,9% which indicates better control of expenses. ✓✓

Operating profit on sales has increased from 7,3% to 10,1% because, apart from the better control over expenses, there has been a slightly higher mark-up % applied as well. ✓✓

4

5.5

**According to the Companies Act (Act 61 of 1973), the directors may repurchase shares only if the liquidity of the business is acceptable. Quote and explain THREE financial indicators that provide evidence that they have complied with the Act.**

*Good answers = 2 marks each; partial = 1 mark; incorrect = 0.*

Current ratio improved from 0,4 : 1 to 1,9 : 1, which indicates that current liabilities are well covered by current assets. ✓✓

Acid-test ratio improved from 0,4 : 1 to 0,9 : 1, which indicates that liquid assets (excluding stock) are almost equal to current liabilities. ✓✓

The bank balance improved from an overdraft of R210 000 to a positive balance of R540 000. ✓✓

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5.6

**One of the directors has suggested that they finance the expansion by increasing loans instead of issuing new shares.**

**Quote and explain TWO financial indicators to support his opinion.**

*Good answers = 2 marks each; partial = 1 mark; incorrect = 0.*

The debt-equity ratio has decreased from 0,6 : 1 to a very safe 0,3 : 1. If they increase the loans by R1,5m, the debt-equity ratio will still be much lower than it was in 2012 (i.e. 0,4 : 1). ✓✓

The % return on total capital employed is 21,9% compared to the interest on loans of 11%. This indicates that profits can be geared up by using loans. ✓✓

**Explain TWO other factors, with advice, that the directors should consider before embarking on this expansion.**

*Any TWO valid suggestions, e.g.*

Factor	Advice
Demand for their products in the other area ✓✓	Undertake market research, e.g. a survey ✓
The level of efficiency by employees at the new branch ✓✓	Ensure proper training is conducted ✓

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5.7

**Explain in your own words why it is necessary for the independent auditors to mention internal controls under the section on Directors' Responsibility.**

*Good answers = 2 marks each; partial = 1 mark; incorrect = 0.*

The internal control system must be properly in place in order to prevent errors and fraud and to ensure that the information that comes out of the bookkeeping system is reliable. Directors run the company so they are responsible for this. ✓✓

**Under the section on Independent Auditor's Responsibility, they mention something about 'ethical requirements'. Give a practical example of this.**

Any valid response, e.g. no conflict of interests (cannot be a shareholder and an auditor; cannot perform other services for the company); due diligence in carrying out the audit. ✓✓

**Is their final opinion a good one or not? Explain.**

Yes. This is an unqualified audit report. If there was a problem, it would have been mentioned. ✓✓

**Why is it necessary for the Independent Auditor to have the qualification CA (SA) behind his name? Explain.**

To assure readers that the auditor is well trained and educated, is well informed on the latest audit processes and the law, is bound by the SAICA code of conduct and could face disciplinary sanction if he is negligent. ✓✓

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## QUESTION 6

6.1.1

**Calculate the profit/loss on the disposal of the office computers sold on 31 March 2013.**

Depreciation for current year =  $33\frac{1}{3}\% \times 18\,600 \times \frac{9}{12} = R4\,650$  ✓✓  
 Accumulated depreciation =  $R9\,400 + R4\,650 = R14\,050$  ✓  
 Cost price =  $R18\,600$  ✓  
 Net book value at date of sale =  $R4\,550$   
 Selling price =  $R7\,000$  ✓  
 Profit =  $R2\,450$  ✓

6

6.1.2

**Calculate the value of stock on hand of the:**

**Hypa laptops, according to the specific identification method:**

✓          ✓          ✓  
 $18 \times R10\,500 = R189\,000$

**ABX Printers, according to the FIFO method:**

✓          ✓          ✓          ✓          ✓  
 $(34 \times R810) + (12 \times R750) = R36\,540$   
           27 540                9 000

**Silvo printing paper, according to the weighted-average method:**

✓                          ✓                          ✓  
 $\frac{246\,400}{6\,600} \times \frac{600}{1} = R22\,400$   
           ✓✓

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**6.1.3 KLOOF COMPUTERS (PTY) LTD**  
**Income Statement for the year ended 30 June 2013**

<b>Sales</b>	<b>3 700 000</b>
<b>Cost of sales</b>	<b>(2 100 000)</b>
<b>Gross profit</b>	<b>1 600 000</b>
<b>Other income</b> <i>Check operation</i>	<input checked="" type="checkbox"/> 40 800
Commission income (36 000✓ + 2 350✓)	✓ 38 350
Profit on disposal of asset	<input checked="" type="checkbox"/> 2 450
5	
	1 640 800
<b>Operating expenses</b> <i>Check operation</i>	<input checked="" type="checkbox"/> (836 510)
<b>Staff costs</b>	<b>180 000</b>
Directors fees [2✓ x (120 000 + 132 000)✓]	✓ 504 000
Sundry expenses (45 000✓ – 1 700✓)	✓ 43 300
Depreciation (47 000✓✓ + 24 500✓✓ + 4 650 <input checked="" type="checkbox"/> )	<input checked="" type="checkbox"/> 76 150
Trading stock deficit (281 000✓ – 21 000✓ – 247 940 <input checked="" type="checkbox"/> )	<input checked="" type="checkbox"/> 12 060
Donations (2 x 10 050)	✓✓ 21 000
20	
Operating profit <i>Check operation</i>	<input checked="" type="checkbox"/> 804 290
Interest on loan (29 000 + 16 500) <i>One part correct</i>	<input checked="" type="checkbox"/> ✓✓ (45 500)
Net profit before tax	758 790
Income tax (194 000✓ + 37 000✓)	✓ (231 000)
Net profit after tax <i>Check operation</i>	<input checked="" type="checkbox"/> 527 990
8	

6.2

**Explain ONE problem relating to each salesperson. Provide figures to support your explanations.**

	Explanation of problem (with figure(s))
<b>GUGU</b>	✓ <i>Explanation of problem</i> ✓ <i>Figure(s)</i> She has not sold many laptops (only 9). Her travelling is high (three times that of the others).
<b>MANNY</b>	✓ <i>Explanation of problem</i> ✓ <i>Figure(s)</i> He has offered a lot of discounts (R15 000). Cash missing = R21 500.
<b>JIM</b>	✓ <i>Explanation of problem</i> ✓ <i>Figure(s)</i> He has lost/stolen 2 laptops (cost price R10 500 x 2).

6

**What advice would you offer the directors in respect of the plan to employ these salespersons?**

*Any valid conclusion* ✓✓ *One mark for partial/simplistic answer*

*Expected responses:*

- Employ Gugu permanently because she made the biggest net profit after deducting all expenses (R35 150), but keep her travelling under control.
- Do not employ Manny or Jim as they each appear to have stolen cash and laptops worth more than R20 000 and are probably dishonest.
- Continue the plan to employ travelling salespersons on a commission basis as this will increase sales in future and will enable the business to enlarge its customer base.

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**GRAND TOTAL: 300**