NATIONAL SENIOR CERTIFICATE EXAMINATION
NOVEMBER 2020

ACCOUNTING: PAPER I

MARKING GUIDELINES

Time: 2 hours 200 marks

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QUESTION 1 INVENTORY CONTROL AND VAT [45 marks; 27 minutes]

Refer to the Information Booklet for information relating to WIN LTD.

PART A

Study the information to do with Win Ltd then answer the following questions:

1.1 Calculate the weighted average of one box of medals on 30 June 2020.

2 034 ✓ + 15 190 ✓ – 470 ✓ 5 ✓ + 34 ✓ – 1 ✓ = R440.89 ☑

(7)

1.2 Complete the trading statement for medals on 30 June 2020.

Sales (27 ✓ × 50 ✓ × 30 ✓)	40 500 ☑
Cost of Sales	(13 667.77) ☑
Opening stock	2 034 ✓
+ Purchases (15 190 ✓ – 470 ✓)	14 720 ☑
- Closing stock (440.89 ☑ × 7 ✓)	(3 086.23) ☑
Gross Profit	26 832.23 ☑

(13)

1.3 Calculate the rand value of the closing stock for trophies.

550 ✓ + 1 420 ✓ – 92 ✓ – 650 ✓ = 1 228 units on hand (700 – 42) 658 ✓ × R300 = 197 400 ☑ 100 × R800 = 80 000 ✓ 470 ☑ × R400 = 188 000 ☑ 465 400 ☑

(10)

PART B VAT IS CALCULATED AT 15%

1.4 **Refer to the VAT transactions 1–5 in the Information Booklet. Transaction 1 has been done correctly. Complete transactions 2–5.**

Calculate the applicable VAT amount per transaction and then clearly state if this will increase or decrease the opening balance given.

#	VAT amount	Increase or decrease
	Opening balance	**33 050(dr)**
1	**9 900**	**decrease**
2	75 900 × 10 / 90 ✓ × 15 / 115 ✓ =1 100 ☑	decrease ✓
3a	**270**	increase ✓
3b	54 ✓	decrease ✓
4	180 ✓	increase ✓
5	90 ✓	decrease ✓

(11)

1.5 Jacorine has recently heard that Start to Finish Ltd is eligible to use the receipt based method for paying VAT over to SARS. Would you suggest that she make this change, what impact might this have on Start to Finish Ltd?

Yes, because of the nature of her business (90% of sales are on account ✓ and debtors take 60 days to pay ✓) this will dramatically improve cash flow ✓ as VAT will only need to be paid to SARS once money has been received.

(3)

1.6 After 90 days Start to Finish Ltd charge 12% interest on any amounts still outstanding from debtors. Explain whether the VAT on the interest income would be accounted for by the business? Give a reason for your answer.

No, interest income is VAT exempt. ✓

(1)

45 marks

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QUESTION 2 FINANCIAL STATEMENTS [55 marks; 33 minutes]

Refer to the Information Booklet for information relating to HIKE CENTRAL LTD.

All workings need to be shown as part marks will be allocated to them. The number of lines does not represent the number of entries required.

2.1 Complete the extract of the Statement of Comprehensive Income (Income Statement) for the year ending 30 June 2020.

HIKE CENTRAL LTD
Extract of Statement of Comprehensive Income for year ending 30 June 2020

Other operating incomes	116 310
Rent Income (133 200 – 18 400)	114 800
Provision for bad debts adjustment ✓	**1 510**
Gross operating income	310 335
Operating expenses	**(128 975)**
Directors' fees (87 939 +15 222 ✓)	103 161 ☑
Advertising & Marketing expense (12 400 – 3 450 ✓)	8 950 ☑
Discount allowed (1 174 – 178 ✓)	996 ☑
Donations (4 500 × 100 / 60 ✓)	7 500 ☑
Trading stock deficit	1 078
Depreciation	7 290
Operating profit before interest	181 360

Calculations should be shown in the boxes below or in the statement of comprehensive income to be awarded part marks.

Rent Income	**Depreciation on Equipment**
133 200 + (550 × 6) / 14 = 9 750 New rental from 1 March = 9 200 2 × 9 200 = R18 400 ✓✓ 133 200 – 18 400 = 114 800 ☑	New: 18 000 × 10% × 9 / 12 ✓ = 1 350 ☑ Old: 111 000 ✓ – 51 600 ✓ = 59 400 × 10% = 5 940 ☑ Total depreciation = 7 290 ☑
Provision for bad debts adjustment	**Trading Stock deficit/surplus**
169 000 × 3% ✓ = 5 070 6 580 ✓ – 5070 ☑ = 1510 ☑	47 500 ✓ – 7 500 ✓ – 38 922 ✓ =1 078 ☑

(26)

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2.2 Complete the following notes to the financial statements as it would have appeared on 30 June 2020. All workings must be shown.

TRADE AND OTHER RECEIVABLES	**AMOUNT**
Net trade debtors	163 930 ☑
Debtors Control (165 440 + 3 560 (178 + 3 382) ✓	169 000 ☑
Provision for bad debts (6 580 ✓ – 1 510 ✓	(5 070) ☑
Prepaid expense	3 450 ☑
SARS : Income Tax (41 000 – 35 000 ✓)	6 000 ✓
	173 380

(9)

CASH AND CASH EQUIVALENTS	**AMOUNT**
Bank (196 480 ✓ – 26 480 ✓ – 3 382 ✓)	166 618☑
Maturing fixed deposit ✓ (396 480 – 196 480)	200 000✓
	366 618

(6)

RETAINED INCOME	**AMOUNT**
Retained income at the start of the year	494 885 ☑
Net profit / loss after tax for the year $\left(35\,000 \checkmark \times \frac{72}{28} \checkmark\right)$	90 000 ☑
Repurchase of 13 650 ✓ shares at 3,50 ✓ above ave	(47 775) ☑
Dividends	(337 110) ☑
Paid	**134 844**
Recommended	202 266 ✓
Retained income at the end of the year	200 000 ✓

(10)

TRADE AND OTHER PAYABLES	**AMOUNT**
Trade creditors	**312 400**
Accrued expenses	15 222 ✓
Income received in advance	18 400 ☑
Shareholders for dividends ✓	202 266 ☑
	548 288

(4)

55 marks

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QUESTION 3 CASH FLOW STATEMENT [49 marks; 29 minutes]

Refer to the Information Booklet for information relating to SPEIRS LTD.

- Some figures have been filled in for you, these are correct.
- Any workings must be shown in the brackets provided.

3.1 Complete the note showing the reconciliation of profit before taxation and cash generated from operations.

Profit before taxation (518 400 ✓ + 201 600) ✓	720 000 ☑
Adjustment in respect of:	423 600
Depreciation	103 600 ☑
Interest expense (316 250 ✓ + 3 750) 100 000 ✓ × 3 / 12 ✓ × 15%	320 000 ☑
Operating profit before changes in working capital	1 143 600
Changes in working capital	(78 400) ✓
Increase / Decrease in Inventory (260 000 – 140 000)	(120 000) ☑
Increase / **Decrease** in trade and other receivables *balancing*	134 600 ☑
Increase / **Decrease** in trade and other payables (426 420+ 580 – 520 000)	(93 000) ☑
Cash generated from operations	1 065 200

Inventory	**Trade and other payables**
COS / Average stock = 11 (2 200 000 / 11 ✓ = 200 000 ✓ ½(260 000 + X) ✓ = 200 000 X = 140 000	426 420 ✓ +580 ✓ – 520 000 ✓
Depreciation	
3 683 600 ✓ + 1 440 000 ✓ – 320 000 ✓ – 4 700 000 ✓	

(22)

3.2 Calculate the mortgage bond increase by on 1 February 2020.

5 500 000 ✓ × 0.6 ✓ = 3 300 000 ☑
3 300 000 – (60 000 ✓ × 12 ✓) – 2 880 000 ✓ = 300 000 ☑

Alternative answer if candidate drew up a T-Account

Mortgage Bond

2020 Feb	29	Bank	CPJ	720 000 60 000 ✓ × 12 ✓	2019 Mar	1	Balance	b / d	3 300 000 ☑ 5 500 000 ✓ × 0.6 ✓
	29	Balance	c / d	2 880 000	**2020 Feb**	**1**	**Bank**	**CRJ**	**300 000** ☑
				3 600 000					**3 600 000**
					Mar	1	Balance	b / d	2 880 000 ✓

(7)

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3.3 3.3.1 **Interest on mortgage bond paid**

Workings: 31 625 ✓ + 316 250 ✓ – 27 600 ✓
Amount paid: 320 275 ☑

(4)

3.3.2 **Taxation paid**

Workings: 7 000 ✓ – 201 600 ✓ – 9 250 ✓)
Amount paid: 203 850 ☑

(4)

3.4 **Calculate the total dividends paid and declared for the year.**

Workings: 450 000 × 20 c = 90 000 ✓ 75 000 ✓ + 450 000 ✓ = 525 000 × 25 c = 131 250 ☑ = 221 250
Amount paid and declared: 221 250 ☑

(5)

3.5 Complete the Cash Flows From Financing Activities section of the Cash Flow Statement for the year ended 29 February 2020.

CASH FLOWS FROM FINANCING ACTIVITIES	Do not calculate
Proceeds from shares issued ✓ (R5 850 000 – 4 500 000)	1 350 000 ✓
Proceeds from long term loans and mortgage ✓ (100 000 ✓ +300 000 ✓)	400 000
Repayment of loan ✓	(720 000) ☑

(7)

49 marks

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QUESTION 4 MANUFACTURING AND ASSET DISPOSAL [51 marks; 31 minutes]

Refer to the information book for details relating to FOOTI FOOTGEAR LTD.

All workings must be shown in the calculation blocks for part marks to be awarded.

4.1 Complete the Tangible Asset note as it would appear in the Statement of Financial Position as at 30 June 2020. Use information A from the information book.

NOTE 3: TANGIBLE ASSETS	**VEHICLES**
Carrying Value on 1 July 2019	262 700 ☑
Cost price	398 000 ☑
Accumulated depreciation	(135 300)
Movements	Do not calculate
Additions	-
Disposals at carrying value (141 000 – 63 450 – 17 625)	(59 925) ☑
Depreciation (38 550 + 17 625)	(56 175) ☑
Carrying value on 1 July 2020	146 600
Cost price	257 000
Accumulated depreciation	(110 400) ☑

Disposals at carrying value	**Depreciation**
141 000 – 63 450 ✓ – 17 625 ✓ = 59 925	141 000 × 15% ✓ × 10 / 12 ✓ = 17 625 ☑ 398 000 – 141 000 ✓ =257 000 × 15% ✓ = 38 550 ☑ Total depreciation = 56 175

(13)

4.2 Complete the notes to the production cost statement.

Note: Raw Materials

Raw material stock @ beginning of the year	746 829 ☑
Purchases (588 550 ✓ – 4 000 ✓)	584 550
Carriage on purchases	11 000 ✓
Raw material stock @ end of year (698 171 – 3171 ✓)	(695 000) ☑
	647 379

No method if recorded carriage on sales (R33 000) (6)

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Note: Factory Overhead Cost

Indirect labour (294 000 ✓ + (294 000 × 15%) 44 100 ✓	338 100 ☑
Rent	256 000 ☑
Consumable Stores (17 600 ✓ × 60 / 40 ✓)	26 400 ☑
Depreciation (from note 3)	56 175 ☑
Insurance	12 060 ☑
Water and electricity *balancing*	210 266 ☑
	899 001

Stock loss entry: debit closing stock. Credit trading stock. But ignore if candidates have included in factory overhead cost.

Rent expense	Insurance
(208 000 – 16 000 ✓) × 4 / 3 ✓	11 000 +1 000 ✓ + 60 ✓

(14)

4.3 Complete the Production Cost Statement for 30 June 2020.

Footi Footgear Ltd:
Production Cost Statement for the year ended 30 June 2020

Prime Costs	1 623 699
Direct Material Cost	**647 379**
Direct Labour Cost	976 320
Factory Overhead Cost	**899 001**
Total Manufacturing Cost	2 522 700
Work in process stock @ the beginning of the year	**20 000**
	2 542 700
Work in process @ the end of the year	(292 700)
Total production cost of Finished Goods	**2 250 000**

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#	Calculation	Final answer
Direct Labour	R108 000 × 8 = 864 000 ✓+ 8 640 ✓+ 103 680 ✓	**R976 320**
Prime costs	647 379 + direct labour (976 320) ☑	**R1 623 699**
Total manufacturing cost	Prime costs + R899 001	**R2 522 700** ☑
Work in process - End	Total manufacturing cost+ 20 000 ✓ –Cost of finished goods ☑	**R292 700** ☑
Cost of finished goods	+ 2 000 000 COS +840 000 CS ✓ – OS 590 000 ✓ 4 200 000 ✓ × 100 / 210 ✓ = 2 000 000	**R2 250 000** ✓

(13)

4.4 Footi Footgear Ltd outsources their delivery on sales to FastCar and pays for this service themselves. They are considering employing a driver and using their own vehicle instead. Discuss two factors that need to be considered before making their decision.

• In house driver vs outsourcing Labour problems (sick, cost of employment, leave) ✓✓
• Wear and tear vs outsourcing ✓✓

should be comparing in house vs outsourcing (4)

4.5 Due to a factory worker strike a large amount of work in process has been left on the production floor. Their current cash flow does not allow management to increase their wages. Provide one solution which may convince the factory workers to return to work.

Share incentives
Offer staff discounts on stock they produce ✓

(1)

51

Total: 200 marks

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