NATIONAL SENIOR CERTIFICATE EXAMINATION
SUPPLEMENTARY EXAMINATION – MARCH 2017

ACCOUNTING: PAPER I

MARKING GUIDELINES

Time: 2 hours 200 marks

These marking guidelines are prepared for use by examiners and sub-examiners, all of whom are required to attend a standardisation meeting to ensure that the guidelines are consistently interpreted and applied in the marking of candidates' scripts.

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QUESTION 1 VAT, ASSET MANAGEMENT AND INVENTORY SYSTEMS

(61 marks; 36 minutes)

Refer to the information relating to Xceleron Dealers.

This question consists of THREE PARTS, and each part must be treated independently of the others.

PART A VAT (16 marks)

1.1 Calculate the amount owing to or owing from SARS for VAT on 28 February 2017. **Show all calculations**.

VAT INPUT	VAT OUTPUT
69 300	**130 200**
–273	**–147**
–600	**–154**
TOTAL 68 427	**TOTAL 129 899**
AMOUNT OWING TO/OWING FROM SARS: **–202 500 + 129 899 – 68 427 = –141 028 owing by SARS**	

PART B TANGIBLE ASSET ANALYSIS (24 marks)

Refer to the Tangible asset note to answer the following questions.

1.2 On what date was the new machinery costing R540 000 purchased?

540 000 × 20% = 108 000

64 799 – 28 799 = 36 000

36 000/108 000 × 12 = 4 months

Therefore 1 November 2016

(4)

1.3 Showing a calculation, explain why the depreciation for the year on the old machinery amounted to R28 799.

20% on 240 000 = 48 000 but machinery only worth 28 800, so it can only be depreciated by 28 799.

(3)

1.4 Calculate the value (a) in the Tangible asset note that relates to the disposal.

450 000 – 168 750 = 281 250 × 25% × 8/12 = 46 875

450 000 – [168 750 + 46 875] = 234 375

(4)

1.5 Calculate the value (b) in the Tangible asset note:

Depreciation on asset sold 46 875
Depreciation on new vehicle 675 000 × 25% × 4/12 = 56 250
Depreciation on old but not sold vehicle (Cp 510 000 – Ad 210 800) × 25% = 74 800
Total 177 925

(9)

1.6 Calculate the value (c) in the Tangible asset note:

379 550 + 177 925 – 215 625 = 341 850

(4)

PART C INVENTORY SYSTEMS (21 marks)

1.7 Calculate the value of the closing stock using the FIFO method of stock valuation.

420 660 + (700 × 660) + (320 × 711)	OR	570 × R738	=	R420 660
= 420 660 + 462 000 + 227 520		700 × R660	=	R462 000
= 1 110 180		320 × R711	=	R227 520
				R1 100 180

(6)

1.8 Calculate the value of the Gross profit for the year if the FIFO method of stock valuation and the Periodic recording method are used.

O/stock	R378 000		
Purchases	+ R2 768 340		
C/stock	(R1 110 180)		
COS	R2 036 160		
Sales 2 920 × R1 140	= 3 328 800	OR	R3 328 800
COS	–2 036 160		–R2 036 160
GP	1 292 640		R1 292 640

(8)

1.9 Calculate the value of the closing stock using the Weighted average method of stock valuation. **Round off the Weighted average to the nearest rand.**

O/stock	R378 000
Purchases	R2 768 340
	R3 146 340

R3 146 340/4 510 = R698

R698 × 1 590 = R1 109 820

(7)

61 marks

QUESTION 2 COMPANY FINANCIALS (64 marks; 40 minutes)

Refer to the information relating to Ndaka Limited.

2.1 Complete the Statement of Comprehensive Income/Income Statement for the year ending 31 December 2016. Show all workings in brackets.

Ndaka Limited
Statement of Comprehensive Income for the year ending 31 December 2016

Sales (7 380 000 – 180 000)	7 200 000	
LESS: Cost of sales	(4 100 000)	
Gross profit for the year	3 100 000	
ADD: Other income	209 000	
Rent income	180 000	
Commission income	27 150	
Provision for bad debts adjustment	1 850	
Gross income for the year	3 309 000	
LESS: Operating expenses	(1 080 000)	
Advertising	144 000	
Sundry expenses	323 750	
Audit fees (108 000 + 12 000)	120 000	
Directors fees (495 000 – 35 000)	460 000	
Bad debts (5 775 + 2 625)	8 400	
Stationery (18 325 – 2 825)	15 500	
Trading stock deficit	8 350	
Provision for bad debts adjustment (1 850 – 1 850)	0	
Operating profit for the year	2 229 000	
Interest income	0	
Operating profit before interest expense/finance costs	2 229 000	
Interest expense	(129 000)	
Net income before taxation	2 100 000	
Taxation (360 000 + 250 000 +14 500 – 30 000)	(594 500)	
Net income after taxation	1 505 500	(26)

2.2 Complete the Statement of Financial Position/Balance Sheet as at 31 December 2016. As notes are not required it is essential to show all workings in brackets.

Ndaka Limited
Statement of Financial Position as at 31 December 2016

Tangible Assets	**6 682 320**
Fixed Assets	6 682 320
Current Assets	1 028 080
Inventories (743 905 + 4 250 – 8 350 + 2 825)	742 630
Trade and other receivables (235 625 – [9 000 – 3 700] + 35 000 – 4 250 – 2 625)	258 450
Cash and cash equivalents	27 000
TOTAL ASSETS	7 710 400
EQUITY AND LIABILITIES	
Ordinary Shareholders Equity	6 109 400
Share capital (5 226 000 – 187 600)	5 038 400
Retained income (344 900 + 1 505 500 – 680 000 – 99 400)	1 071 000
Long-term liabilities	
Mortgage bond (700 000 – 72 900)	627 100
Current liabilities	973 900
Trade and other payables (122 600 + 3 150 + 12 000 + 375 000 + 72 900 + 14 500)	600 150
Bank overdraft (86 750 + 287 000)	373 750
TOTAL EQUITY AND LIABILITIES	7 710 400

(38)

64 marks

QUESTION 3 CASH FLOW STATEMENTS (41 marks; 25 minutes)

Refer to the information relating to Avzelea LTD.

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

Net income before taxation (1 540 800 × 100/72)	2 140 000	
Adjustment in respect of:	374 700	
Depreciation	304 500	
Interest expense	70 200	
Operating profit before changes in working capital	2 514 700	
Changes in working capital	(769 050)	
Decrease in inventories	40 500	
Increase/Decrease in debtors (2 373 050 – 1 753 400)	(619 650)	
Increase/Decrease in creditors (549 000 – 359 100)	(189 900)	
Cash generated from operations	1 745 650	(10)

3.2 Calculate the total dividends (interim and final) for the year ended 31 January 2017.

1 445 000 – 245 000 + 442 000 = 1 642 000 OR 1 134 500 + 1 540 800 – x = 1 033 300 x = 1 642 000	(4)

3.3 Complete the cash flow statement for the year ended 31 January 2017. Show all workings in brackets.

Cash flows from operating activities	(397 350)	
Cash generated from operations	1 745 650	
Interest paid (16 200 + 70 200 – 18 400)	(68 000)	
Taxation paid (103 550 + 599 200 – 72 750)	(630 000)	
Dividends paid	(1 445 000)	
Cash flows from investing activities	247 250	
Purchase of tangible assets (5 736 750 – 304 500 – 1 147 250 + X – 5 185 000)	(900 000)	
Proceeds from the disposal of tangible assets	1 147 250	
Cash flows from investing activities	1 495 300	
Proceeds from the issue of shares	1 650 000	
Repayment of long-term loan	(154 700)	
Net change in cash and cash equivalents	1 345 200	
Cash and cash equivalents at the beginning of the year (194 700 – 4 500)	(190 200)	
Cash and cash equivalents at the end of the year	1 155 000	(27)

41 marks

QUESTION 4 MANUFACTURING (34 marks; 19 minutes)

Refer to the information relating to Slick Manufacturers.

4.1 Complete the Prime costs section as it would have appeared in the Production cost statement for the year ending 31 December 2016. Show all workings in brackets.

Slick Manufacturers
Production cost statement for the year ending 31 December 2016

PRIME COSTS	2 938 200	
Direct materials (47 250 + 1 618 800 – [7 650 + 3 600] + 41 800 – 451 600	1 245 000	
Direct labour (1 440 000 + 66 000 + 172 800 + 14 400)	1 693 200	(13)

4.2 Calculate the unit cost of production per raincoat.

1 245 000 + 1 693 200 + 271 800 = $\frac{3\ 210\ 000}{6\ 000}$
= R535 per raincoat

(5)

4.3 Complete the finished goods note.

Opening stock of finished goods	142 550	
Cost of production of finished goods	3 210 000	
Closing stock of finished goods	(602 550)	
Cost of sales	2 750 000	(4)

4.4 Calculate the mark-up percentage achieved by Slick Manufacturers during the year ended 31 December 2016.

Sales R825 × 6 000 = R4 950 000
Cost of sales = R2 750 000
Gross profit R2 200 000

$$\frac{2\ 200\ 000}{2\ 750\ 000} \times \frac{100}{1} = 80\%$$

(6)

4.5 Provide **one** course of action that can be taken by the business in the next financial year that would assist it in achieving its predetermined mark-up.

- Reduce the amount of trade discounts given to customers.
- Large number of finished goods on hand that may become old stock and would need to be sold at a reduced cost. The business would need to ensure that it does not have large volumes of stock on hand that does not sell. Although it produced and sold 6 000.

(2)

4.6 In order to still import its material, Slick Manufacturers needs to reduce its costs by reducing the wastage of material during the manufacturing process. Give two ways that you think it can do this.

- Training and up-skilling of employees so that they do not make mistakes.
- Better supervision of the production process by factory supervisors to stop wonky stock having to be thrown away because they do not meet quality standards.
- Incentive bonuses for reduction of wastage.
- Better control over the cutting of patterns by employees/more efficient usage of material. (× 2 ways)

(4)

34 marks

Total: 200 marks

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