



NATIONAL SENIOR CERTIFICATE EXAMINATION
NOVEMBER 2018

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.

The IEB will not enter into any discussions or correspondence about any marking guidelines. It is acknowledged that there may be different views about some matters of emphasis or detail in the guidelines. It is also recognised that, without the benefit of attendance at a standardisation meeting, there may be different interpretations of the application of the marking guidelines.

QUESTION 1 MANUFACTURING

Refer to the Information Booklet for information relating to Hammond Huts.

- 1.1 Complete the Tangible Asset Note as it would have appeared in the Statement of Financial Position as at 30 June 2018. You may use the calculation blocks below to show your workings, but write your final answer in the Note next to the question marks (?).

Vehicle depreciation calculations

New	Total
$300\,000 \times 15\% \times 3/12 = 11\,250$	$1\,400\,000 \times 15\%$ $= 210\,000 + 11\,250$ $= (221\,250)$

Machinery depreciation calculations

Depreciation of old machinery sold	Depreciation of machinery not sold
$(700\,000 - (270\,000 - 33\,300)) \times 15\%$ $= 69\,495$	$(120\,000 - 18\,000 - 15\,300)$ $86\,700 \times 4/12 \times 15\% = 4\,335$
Total depreciation for year	Accumulated depreciation at end of year
$69\,495 + 4\,335 = 73\,830$	$270\,000 + 73\,830 - 37\,635$ $= 306\,195$

Disposal of machinery

Disposal
$120\,000 - (18\,000 + 15\,300 + 4\,335) = 82\,365$

	Vehicles	Machinery
Carrying value on 1 July 2017	980 000	550 000
Cost	1 400 000	820 000
Accumulated depreciation	(420 000)	(270 000)
MOVEMENTS		
Additions	300 000	–
Disposals (120 000 – 18 000 – 15 300 – 4 335)	–	(82 365)
Depreciation	(221 250)	(73 830)
Carrying value on 30 June 2018	1 058 750	393 805
Cost	1 700 000	700 000
Accumulated depreciation	(641 250)	(306 195)

1.2 Complete the Direct Labour Note as it would have appeared on 30 June 2018:

$90\,000 \times 2$ Wages ($7\,500 \times 12 \times 2$)	180 000
$42\,800 \times \frac{2}{5}$ Bonus ($25\,680 \times \frac{5}{3} \times \frac{2}{5}$ ($\frac{5}{3} + \frac{2}{5} = \frac{2}{3}$))	17 120
Medical Aid Contributions ($38\,400 \times 60\% \times 2$)	46 080
UIF Contribution ($180\,000 \times 1\%$)	1 800
	245 000

1.3 Complete the Factory Overheads Note as it would have appeared on 30 June 2018:

Indirect materials ($14\,500 + 20\,700 - 17\,200$) $\times \frac{4}{9}$	8 000
Depreciation on machinery	*73 830
Insurance ($4\,680 \times \frac{3}{12}$)	1 170
	83 000

1.4 Calculate the cost of finished goods produced during the year ended 30 June 2018:

Opening stock of finished goods	54 000
Cost of finished goods produced during the year (from PCS)	482 000
Closing stock of finished goods	(32 000)
Cost of finished goods sold/cost of sales	504 000

1.5 Complete the Production Cost Statement for the year ended 30 June 2018:

Direct/Prime costs (860 × 400)	344 000
Direct materials (344 000 – 245 000)	99 000
Direct labour see 1.2	245 000
Factory overhead costs see 1.3	83 000
Total manufacturing costs	427 000
Work in progress (1 July 2017)	220 000
	647 000
Work in progress (30 June 2018) balancing amt. must be in brackets	(165 000)
Cost of production of finished goods see 1.4	482 000

QUESTION 2 FINANCIAL STATEMENTS

Refer to the Information Booklet for information relating to NDIV Limited.

All workings need to be shown as part marks will be allocated to them. You may use the calculation blocks on the next page to show your workings, but your final answer must be written in the Statement of Comprehensive Income. The number of lines does not represent the number of entries required.

2.1 Complete the Statement of Comprehensive Income (Income Statement) for the year ending 28 February 2018.

NDIV Limited
Statement of Comprehensive Income for the year ending 28 February 2018

Net sales (3 321 000 – 21 000)	3 300 000
Cost of sales (2 214 000 – 14 000) or 10 500	(2 200 000)
Gross profit	1 100 000
Other operating incomes	DO NOT CALCULATE
• Rent income (146 944 – 12 544)	134 400
• Discount received (3 300 – 700)	2 600
• Provision for bad debts adjusted or decreased in provision (4 100 – 3 925)	175
Gross operating income	DO NOT CALCULATE
Operating expenses	DO NOT CALCULATE
• Directors' fees	56 000
• Audit fees (30 000 + 21 000)	51 000
• Consumable stores (14 600 – 4 500)	10 100
• Bad debts (1 500 + 6 500)	8 000
• Depreciation	19 255
Trading stock deficit	21 300
• Loss on sale of vehicle	3 479
• Stock loss (25 000 × 40%)	10 000
Operating profit before interest	DO NOT CALCULATE
Interest income	0
Profit before interest expense	DO NOT CALCULATE
Interest expense (30 000 + 4 375)	(34 375)
Profit before taxation	DO NOT CALCULATE
• Taxation for the year	(302 000)
Net profit after taxation	DO NOT CALCULATE

Calculations

Trading stock deficit	Interest expense
(185 000 + 14 000 – 25 000 – 152 700)= 21 300	370 000 × 3/12 × 10% = 9 250 335 000 × 9/12 × 10% = 25 125 = (34 375)
Rent income	Profit/loss on sale of asset
12 × 100 = 1 200 1 × 112 = 112 = 1 312 146 944 × $\frac{112}{1 312}$ = 12 544	114 000 – 44 521 – 66 000 loss

2.2 Complete the following Notes to the Financial Statements as it would have appeared on 28 February 2018. All workings must be shown to be awarded part marks.

TRADE AND OTHER RECEIVABLES	AMOUNT
Net trade debtors	DO NOT CALCULATE
Trade debtors (85 000 – 6 500)+66 000 car	78 500 or 93 500
Provision for bad debts (78 500 × 5%) or 4 100 – 175	(3 925)
Accrued income (15 000 or debtors for insurance)	15 000
SARS (income tax) (310 000 – 302 000 or + in trade and other payables)	8 000
	DO NOT CALCULATE
TRADE AND OTHER PAYABLES	AMOUNT
Trade creditors (99 000 + 3 200)	102 200
Income received in advance(146 944 – 34 400)	12 544
Accrued expenses (21 000 + 4 375)	25 375
Shareholders for dividends(125 000 × 58 c)	72 500
Short-term portion of loan	35 000
	DO NOT CALCULATE

2.3 Both audit fees and director fees are listed as expenses in the Statement of Comprehensive Income. What is the difference between the role of an auditor and the role of a director?

0	1	2
Learner does not know the role of an auditor or director.	Learner has described the role of either an auditor or a director.	Learners can clearly describe the difference between an auditor and a director.
Director: manages operations of a company. Draws up and presents financial statements.		
Auditor: checks financial statements. Reports on fair representation of financial statements.		

2.4 2.4.1 What was the interim dividend per share?

123 – 58 = 65 cents per share

2.4.2 Give one reason why you think the final dividend was so much less than the interim dividend.

Profits were lower than expected or maybe historically they paid 58 cents and 65 cents per share for final and interim dividends.

QUESTION 3 CASH FLOW STATEMENT

Refer to the Information Booklet for information relating to Stubar Ltd.

3.1 Complete the Reconciliation Note between profit before taxation and cash generated from operations for the year of the Cash Flow Statement for the year ended 30 September 2018. You may use the calculation blocks below the Reconciliation Note to do your workings, but your final answer must be written in the Reconciliation Note.

1. Reconciliation between profit before taxation and cash generated from operations	
• Profit before tax (648 000 × 100/72)	900 000
Adjustments in respect of:	
• Depreciation	24 008
Interest expense (4 166 – 2 000) × 12	25 992
Operating profit before changes in working capital	950 000
Changes in working capital:	(16 727) adding
• Decrease in inventory (345 000 – 310 000)	35 000
• Increase in trade and other receivables	(70 120)
• Increase in trade and other payables	18 393
Cash generated from operations	933 273

Calculations

Calculate trade and other receivables	Calculate trade and other payables
$(117\,500 + 6\,280) - (45\,000 + 5\,520 + 3\,140) = 70\,120$	$(107\,000 + 4\,840 + 3\,333) - (91\,000 + 3\,225 + 2\,555) = 18\,393$

3.2 Calculate the following amounts.

3.2.1 Dividends paid

<p>Workings</p> <p>$(120\,000 + 30\,000) \times 7c = 10\,500$ interim $120\,000 + 30\,000 - 20\,000 \times 12c = 15\,600$ final</p> <p>$- 6\,000 - 26\,100 + 15\,600$</p>
<p>Amount paid: 16 500</p>

3.2.2 Tax paid

<p>Workings</p> <p style="text-align: right;">[252 000</p> <p>– 146 792 – (900 000 – 648 000)] – 23 584</p>
<p>Amount paid: 422 376</p>

3.3 Complete the Cash Flows from Financing Activities Section of the Cash Flow Statement for the year ended 30 September 2018.

CASH FLOWS FROM FINANCING ACTIVITIES	
Repayment of loan (2 000 × 12)	(24 000)
Proceeds from loan (500 000 + 24 000 – 234 000)	290 000
Proceeds from issue of shares	174 000
Repurchase of shares 20 000 × R7,50	(150 000)

QUESTION 4 VAT AND INVENTORY

Refer to the Information Booklet for information relating to Shick Chicken.

4.1 Calculate the rand value of the closing stock on 30 November 2018.

320 + 1 050 – 1 150 = 220 kgs
 the two quantities must add up to 220
 The two prices must be R85 and R82
 110 × 85 = R9 350 or 112 × 85 = 9 520
 110 × 82 = R9 020 or 108 × 82 = 8 856
 R9 350 + R9 020 = R18 370
 Or 9 520 + 8 856 = R18 430

4.2 Calculate the cost of sales for the financial year.

Opening stock	20 480
Purchases 27 360 + 31 200 + 13 120 + 11 050 Or 164 drawings – 170 drawings – 1 530 (18 × R85) returns	81 030
Less closing stock	(18 370)
Cost of sales	83 140

4.3 Calculate the mark-up achieved by Shick Chicken for the financial year.

Sales: 1 150 × 99 = 113 850
 Cost of Sales: 83 140

 $113\,850 - 83\,140 / 83\,140 = 30\,710 / 83\,140 = 36,94\%$

4.4 Considering the type of product they buy and sell, which two stock control measures are absolutely essential in order to avoid possible legal action being taken against them?

- Must relate to frozen chickens
- Discuss issues related to refrigeration
- Policy of no returns on frozen chickens
- The chicken must be kept frozen both in the business and in the transport process.
- The "sell by" date must be indicated on all stock.
- Labelling with correct ingredients or Halaal
- Have backup generator in case of power failure
- No tampering with weight
- Do sample testing on quality. Must adhere to health and safety requirements

- 4.5 Use only Information C to calculate VAT. Then circle if this is to be paid to SARS or received from SARS. (Some amounts might include cents.)

Calculations Check grouping
Opening sales purchases returns drawings Dis rec Bad debts – 3 100 + 2 079 – 1 547 + 214,20 + 23,80 + 448 – 140 = – 2 022 Afrikaans scripts can have + 488 or – 488
2 022 owed by SARS depending on answer 2 918 for Afrikaans

Total: 200 marks