



NATIONAL SENIOR CERTIFICATE EXAMINATION
NOVEMBER 2020

ACCOUNTING: PAPER I

Time: 2 hours

200 marks

INFORMATION BOOKLET

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

Win Ltd is a company that sells medals and trophies to clubs hosting running events, as well as to schools. They make use of the periodic inventory system. Their financial year ends on 30 June 2020.

They value their inventory as follows:

- Medals – weighted average method
- Trophies – FIFO method

Information relating to medals:

- Medals arrive in boxes of 50 and have a delivery fee of R75 per box.
- There were 5 boxes worth R2 034 on hand on 1 July 2019. (This includes their delivery cost).
- The computer shows that 34 boxes were purchased throughout the year for a total of R15 190. (This includes their delivery cost).
- One of these boxes costing R470 had been returned to the supplier. The delivery fee is non-refundable.
- All returns relate directly to purchases in the previous month.
- The stock-take on 30 June 2020 showed a total of 7 boxes on hand.
- Medals are sold for R30 each. A total of 27 boxes were sold.

Information relating to trophies:

Details	Date	Trophies FIFO		
		Units	Per unit (R)	Total value (R)
Opening stock	1 July 2019	550	200	110 000
Total purchases		1 420		538 000
Purchases	30 Sept. 2019	620	400	248 000
	30 Dec. 2019	100	800	80 000
	29 Feb. 2020	700	300	210 000
Returns	5 Oct. 2019	50	?	?
Returns	7 Mar. 2020	42	?	?
Closing stock	30 Jun. 2020	?	?	?
Sales for the year		650	600	390 000

PART B**VAT IS CALCULATED AT 15%**

Jacorine Booyens, the owner of Win Ltd, has decided to look at another business called Start to Finish Ltd which sells race T-Shirts to race organisers. Due to the nature of this business 90% of sales are done on credit and they allow 60-day interest free payment terms.

The business is a registered VAT vendor and uses the invoice basis to record VAT which is charged at 15%. They are required to pay VAT every two months.

Transactions 1–5:

1. **Credit sales for the month of June 2020 totalled R75 900 (VAT inclusive). The cost of these sales amounted to R66 000.**
2. You must also account for the VAT on cash sales.
3. Total credit purchases amounted to R2 070 (VAT inclusive). T-Shirts to the value of R360 (VAT exclusive) were sent back to the supplier.
4. A debtor, A. Speirs, who bought goods in March 2018 for R1 200 (VAT exclusive) has still not paid his account, it has been decided that this debt will be written off.
5. Start to Finish Ltd settled their account with MileSmile Ltd (a creditor) and were rewarded with a R690 discount.

QUESTION 2 FINANCIAL STATEMENTS**[55 marks; 33 minutes]****The information that follows relates to HIKE CENTRAL LTD.**

- Hike Central Ltd sells hiking gear for the adventurous travellers.
- The figures already entered into the Statement of Comprehensive Income are from the pre-adjusted trial balance on 30 June 2020.
- The business uses a mark-up of 60% on cost at all times.

A. Extract from the Financial Statements as at 30 June 2020 **before the adjustments below.**

	30 June 2020	30 June 2019
Accumulated depreciation: Equipment	?	51 600
Fixed deposit	396 480	
Trading Stock	47 500	
Debtors Control	165 440	32 000
Provision for bad debts		6 580
SARS-Income tax	41 000 (dr)	-
Retained income	200 000	?
Bank	26 480 (cr)	

B. Adjustments and additional information **that have not been taken into account.**

1. Directors' fees of R15 222 are outstanding at the end of the financial year.
2. Tents and hiking gear were donated to a local school about to embark on a 22-day journey abroad. Due to this donation, a gross profit of R4 500 has been forfeited on this stock had it been sold. The accountant has not yet recorded this entry.
3. A physical stock-taking on the same date, 30 June 2020, revealed only R38 922 of stock was available.
4. Camps4Africa, a tenant, has leased an office space. In a tough economic climate, they have paid rent up until 31 August 2020 in exchange for a rental reduction of R550 per month. This was agreed upon by all parties and came into effect from 1 March 2020.
5. Hike Central Ltd have asked @Alexleroux314, a social media marketing agency, to help them expand their customer base. On 1 June 2020 a lump sum of R5 175 was paid to @Alexleroux314 to cover their marketing services for the next 3 months.
6. A cheque for R3 382 from a debtor was returned from the bank marked insufficient funds. This cheque was received after a 5% discount was granted to debtors.

7. Adjust the provision for bad debts to 3% of the outstanding debtors.
8. New equipment, costing R18 000, was purchased on 1 October 2019 and has been recorded correctly. Total equipment had a cost price of R129 000 on 30 June 2020. All equipment depreciates at 10% p.a. on the diminished balance method.
9. R196 480 of the fixed deposit matured on 30 June 2020. No entries of the deposit have been made. The remainder of the fixed deposit will mature on 15 January 2021.
10. Income tax for the year ended 30 June 2020 amounted to R35 000 which was 28% of net profit before tax.
11. 13 650 shares were bought back on 31 March 2020 at R7,50 each. The average share price on this date was calculated at R4 per share. All payments relating to the buyback of shares have been recorded.
12. The interim dividend for the year was R134 844. This was two fifths ($\frac{2}{5}$) of the total dividends.

QUESTION 3 CASH FLOW STATEMENT**[49 marks; 29 minutes]****The information that follows relates to SPEIRS LTD.**

1. **Extract from the Statement of Comprehensive Income for the year ended 29 February 2020**

Cost of sales	R2 200 000
Interest on loan: Pearce Bank	?
Interest on mortgage bond: Houg Bank	R316 250
Depreciation	?
Net income after taxation	R518 400
Taxation for the year	R201 600

2. **Extract from the Statement of financial position as at 29 February 2020**

	2020	2019
Ordinary Share Capital	R5 850 000	R4 500 000
Retained Income	R1 297 150	R1 000 000
Tangible Assets at carrying value	R4 700 000	R3 683 600
Inventory	R260 000	?
Debtors Control	?	?
Creditors Control	R426 420	R520 000
SARS Income Tax	R9 250 (dr)	R7 000 (dr)
SARS: VAT	R580 (cr)	1 970 (dr)
Accrued Expense (Interest on mortgage bond)	R27 600	R31 625
Shareholders for dividends	?	R80 000
Loan: Pearce Bank	R100 000	0
Mortgage bond: Houg Bank	R2 880 000	?

3. **Tangible assets**

Cash Flows From Investing Activities section of the Cash Flow Statement for the year ended 29 February 2020 were correctly recorded.

Tangible assets purchased	(1 440 000)
Disposal of tangible assets at carrying value	320 000

4. **Mortgage bond and loans**

- A loan was negotiated with Pearce Bank and the money was deposited into the business's bank account on 1 December 2019.
- The interest on loan from Pearce bank is 15% p.a. The first amount is payable on 1 March 2020.
- Speirs Ltd also increased their **mortgage bond with Houg Bank** on 1 February 2020. A bond repayment of R60 000 was made monthly.
- Interest on the loan and the mortgage bond are not capitalised.

5. **Working Capital**

Change in working capital for the current year amounted to an outflow of R78 400.

6. **Ratios**

	2020	2019
The debt to equity ratio	?	0,6 : 1
The rate of stock turnover	11 times	?

7. **Shares and dividends**

- There were 450 000 ordinary shares in issue on 28 February 2019.
- New shares were issued on 1 November 2019 at a price of R18 per share.
- The directors paid a dividend of 20 cents per share on 31 August 2019 and a final dividend of 25 cents per share was declared by the directors on 27 February 2020.

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

The information below refers to FOOTI FOOTGEAR LTD.

Footi Footgear Ltd manufactures the latest selection of trendy footwear. Their financial year ends on 30 June. Total sales for the year ended 30 June 2020 amounted to R4 200 000 and they implement a 110% mark up on cost price.

A. Vehicles:

- All vehicles are used by the manufacturing department.
- Depreciation on vehicles is calculated at 15% p.a. on the cost price method and no vehicles were bought during the year.
- A vehicle was sold for cash, R83 000, on 30 April 2020. The sale of the fixed asset has **not** been recorded.

The fixed asset register reflected the following details:

ASSET	Delivery Van	DATE OF PURCHASE	1 July 2016
COST PRICE	R141 000	DEPRECIATION RATE	15% p.a. on cost
RECORD OF DEPRECIATION			
Date	Depreciation	Accumulated depreciation	Book value
30 Jun 2017	R21 150	R21 150	R119 850
30 Jun 2018	R21 150	R42 300	R98 700
30 Jun 2019	R21 150	R63 450	R77 550
30 April 2020	?	?	?

B. The following balances were found in the stock accounts.

	30 June 2020	30 June 2019
Raw materials	698 171	?
Work in process	?	20 000
Finished goods	840 000	590 000

C. Raw Materials

- Purchase of raw materials amounted to R588 550 during the year.
- Raw materials returned to the supplier, R4 000. No entry has been made.
- On 30 June 2020, after the stock take was done, raw materials costing R3 171 were stolen out of the stock room. No entry has been made to record this theft.

D. Transport

Footi Footgear Ltd outsource their delivery on sales to FastCar for R33 000 per annum. However, they use their own vehicles to transport raw materials from suppliers to the factory. Management have noted that they pay exactly 3 times less to use their own vehicle to transport raw materials.

E. Labour

Footi Footgear Ltd employs 8 workers who are involved in the production of shoes. Employees each earn an annual gross salary of R108 000 and the following deduction and contribution are applicable to their salary package.

	Deductions	Contributions
UIF	1%	1%
Pension	8%	12%
PAYE	18%	-

The factory supervisor earns a gross monthly salary of R24 500. However, he is paid a guaranteed 15% bonus on his gross annual salary on condition that Footi Footgear Ltd makes no other contributions to his salary package.

F. Additional information

The following amounts relating to Selling and Distribution were found in the accounting records on 30 June 2020.

	R
Rent expense	208 000
Consumable stores	17 600

- Rent is apportioned in the ratio 4 : 3 between factory and selling and distribution respectively. However, the selling and distribution rent has been paid until 31 July 2020, whilst the factory rent has only paid up until 30 June 2020.
- Consumable stores were only used in the factory and selling and distribution. 40% of the consumable stores were used in selling and distribution.
- A total of R11 000 has been paid for factory insurance. An insurance increase of 6% was implemented on 1 June 2020. Insurance for June 2020 has not yet been paid.
- Water and electricity for the factory needs to be calculated.