



NATIONAL SENIOR CERTIFICATE EXAMINATION
NOVEMBER 2017

ACCOUNTING: PAPER I

Time: 2 hours

200 marks

INFORMATION BOOKLET

QUESTION 1 MANUFACTURING

(37 marks; 22 minutes)

The information below refers to File Fanatics.

File Fanatics manufactures wooden filing cabinets. Their financial year ends on 31 December.

INFORMATION

A. The following balances were found in the stock accounts:

	31 December 2017	31 December 2016
	R	R
Raw materials stock	435 400	345 730
Indirect materials stock	12 600	15 400
Work-in-progress stock	149 100	131 600

B. Raw materials:

- Cash and credit purchases of raw materials amounted to R2 100 000 for the year.
- The bookkeeper incorrectly recorded the return of raw materials to a supplier as R2 151 instead of R21 510. This error needs to be corrected.
- Railage paid on raw materials amounted to R191 900. File Fanatics usually qualifies for a cash discount of 5% on their railage cost. The discount was omitted in error this year.

- C. Direct labour:
- File Fanatics employs 13 workers who are directly involved with the production process.
 - Each worker has worked 2 920 normal hours during the year at a rate of R115 per hour.
 - A production bonus of 7% of their annual remuneration was paid to each factory worker in December 2017.
 - Deductions for medical-aid and UIF amounting to R261 924 were deducted off gross wages.
 - The business contributed R22 464 to UIF for the factory workers for this financial year. No other contributions are made.
- D. Indirect materials:
- Indirect materials purchased during the year, R187 200. All indirect material is used in the factory.
- E. Additional information

The **Administration Cost note** below was prepared by the bookkeeper on 31 December 2017:

	R
Rent expense	409 500
Bad debts	36 750
Insurance	73 360
Salaries and wages	540 025
Water and electricity	22 500

On careful inspection of the above note, a number of errors were identified:

1. The bookkeeper incorrectly allocated the bad debts for the year.
2. Included in the salaries and wages figure above, is the salary for the factory foreman. Administration salaries amounted to R312 625 for the year. There are no additional contributions made towards the foreman's salary or administration staff.
3. The bookkeeper has allocated the entire rent expense paid for the year to Administration as he was unsure how to apportion this cost. Rent should be apportioned in the ratio of 3 : 2 : 1 for the factory, administration and selling and distribution respectively.
4. Insurance paid amounted to R73 360. The business prepaid their insurance for January and February 2018 and this was included in the payment. 80% of the insurance belongs to the factory and the balance is split equally between the other two departments. There were no increases in the insurance premiums during the year.

5. The bookkeeper incorrectly processed the apportionment of water and electricity in the Administration note above. He allocated 20% of the cost to administration instead of 25% of the cost. R14 375 of the total cost needs to be allocated to selling and distribution and the balance to factory overheads.

QUESTION 2 COMPANY FINANCIALS**(64 marks; 39 minutes)****The information that follows refers to ITSIE LIMITED.**

ITSIE LIMITED supplies and installs one specific type of data projector. The company also repairs data projectors for which it charges a fee.

- The data projectors are sold at a standard price of R7 600,00 per unit. ITSIE LIMITED applies a mark-up of 60% on cost. In an attempt to attract customers the selling price has remained unchanged for the past 2 years.
- ITSIE LIMITED has an authorised share capital of 1 200 000 ordinary shares.
- Some figures have been entered into the answer booklet and these are correct.

INFORMATION:

A. Extract from the Financial Statements as at 30 June:

	30 June 2017	30 June 2016
	R	R
Retained Income	?	302 500
Loan: First Rand Financers	550 000	?
Shareholders for dividends	?	154 000
Total Sales	?	3 420 000
Debtors' allowances	80 400	72 300
Rent Income	?	600 000

B. Adjustments and additional information:

1. The company reported a 12% increase in sales for the year ended 30 June 2017.
2. Debtors' allowances was correctly recorded last year, but has been incorrectly treated in the Statement of Comprehensive Income for 2017. This error needs to be corrected, and the amount shown where it should have been recorded.
3. Although they kept their rental the same for the financial year ended June 2016, ITSIE LIMITED decided to increase the rental by 18% on 1 April 2017.
4. 3 data projectors were donated to the local school as part of their corporate social responsibility initiative. This donation must be treated as advertising. This has not yet been recorded.
5. According to a physical stock count at the end of the year, 2 data projectors are missing and have been presumed stolen.
6. Provision for bad debts must be increased by R1 800.

7. Operating expenses on sales as at 30 June 2017 is 45%.
8. Directors' fees is the missing figure in the Statement of Comprehensive Income and this needs to be calculated.
9. The annual loan repayment of R50 000 was made on 1 February. An increase of 1% in the prime lending rate was announced and introduced on 1 February 2017. ITSIE LIMITED is now charged 15% p.a. interest on the loan. Interest is not capitalised.
10. The directors declared a final dividend of 22 cents per share on **30 June 2016**.
11. An additional 165 000 ordinary shares were issued on 1 July 2016 at R6,50 per share.
12. The directors declared a final dividend of 17 cents per share on **30 June 2017**.
13. After the declaration of the final dividend on 30 June 2017, 55 000 ordinary shares were repurchased at R8 per share. The necessary entries to record the repurchase have been made. The weighted average per share on this date was R6,10 per share.
14. The earnings per share (EPS) as at 30 June 2017 is 39 cents. These earnings apply to all shares that were in issue during the year.
15. According to the Cash Flow Statement for the year ending **30 June 2017**:
 - An inflow of R30 000 resulted from a change in Inventories.
 - Dividends paid R400 000.
16. The current liabilities for the year amounted to R337 500 and the acid-test ratio on 30 June 2017 was 1,25 : 1.

QUESTION 3 CASH FLOW STATEMENTS**(62 marks; 37 minutes)****The information that follows refers to INGIVELA LIMITED.**

- A. Extract from the Statement of Comprehensive Income for the year ended 31 December 2017:

Income tax	R494 830
------------	----------

- B. Extract from the Statement of Financial Position as at 31 December:

	2017	2016
	R	R
TANGIBLE ASSETS		
Fixed assets	?	?
FINANCIAL ASSETS		
Shares in C2C limited	2 175 000	1 800 000
CURRENT ASSETS	2 942 390	1 515 000
Inventory	1 463 550	517 500
Trade and other receivables	628 500	944 400
SARS – Income tax	0	26 100
Cash and cash equivalents	850 340	27 000
SHAREHOLDERS' EQUITY	8 952 170	6 227 500
Share capital	8 103 000	6 100 000
Retained income	849 170	127 500
NON-CURRENT LIABILITIES		
Mortgage loan	2 692 500	600 000
CURRENT LIABILITIES		
Creditors control	656 700	247 500
Expenses accrued (advertising)	13 050	7 500
SARS – Income tax	53 550	0
Shareholders for dividends	157 500	412 500
Bank overdraft	0	165 000

- C. Additional information

- The net profit before tax, plus the addition of depreciation and interest is R1 962 010.

2. Machinery

- A laminating machine was sold for cash on 30 June 2017 at its carrying value. The accumulated depreciation on this machine on 1 January 2017 was R57 600.
- The replacement machine was purchased on 1 September 2017.
- Depreciation on machinery is calculated at 20% p.a. on the diminishing balance method.

3. Mortgage Loan

- The following loan statement was received from First International Bank:

	R
Balance on 1 January 2017	600 000
Interest capitalised	63 000
Repayments including interest	?
New loan	?
Balance on 31 December 2017	2 692 500

- Monthly loan repayments including interest of R10 250 were made during the year.

4. Dividends

- The directors paid an interim dividend of R173 250 during the year.

5. Share Capital

- 1 525 000 ordinary shares were in issue at the beginning of the year.
- On 1 January 2017 a further 475 000 ordinary shares were issued at R4,50 each.
- After performing the relevant solvency and liquidity tests the directors repurchased ordinary shares on 31 December 2017 at their weighted average price per share.

QUESTION 4 INVENTORY**(37 marks; 22 minutes)**

The information that follows refers to Rhodes Cricket Supplies.

Rhodes Cricket Supplies sells cricket bats and cricket bags. The following information relates to the business:

- They use the Periodic Inventory system to record their stock.
- Cricket bats are valued using the **Weighted Average Method**.
- Cricket bags are valued using the **FIFO (First-in-First-out) Method**.

A. Information taken from the stock records relating to **cricket bats**:

	Number of bats	Unit cost per bat	Total cost
Opening stock (1 January 2017)	1 100		R939 500
Purchases:	15 000		R13 470 000
February 2017	3 000	R900	R2 700 000
March 2017	4 000	R925	R3 700 000
August 2017	6 200	R850	R5 270 000
October 2017	1 800	R1 000	R1 800 000
Closing stock (31 December 2017)	2 650	?	?
Sales	13 430	R1 650	R22 159 500

Additional information relating to cricket bats:

- A number of cricket bats were stolen during a robbery in November 2017.

B. Information taken from the stock records relating to **cricket bags**:

	Number of bags	Unit cost per bag	Total cost
Opening stock (1 January 2017)	50	R1 200	R60 000
Purchases:	3 050		R4 051 500
March 2017	1 000	R1 260	R1 260 000
June 2017	1 250	R1 350	R1 687 500
November 2017	820	R1 380	R1 131 600
November 2017 returns	(20)	R1 380	(R27 600)
Closing stock (31 December 2017)	?	?	?
Sales	2 120	R1 940	R4 112 800

Additional information relating to cricket bags:

- 200 cricket bags were donated to various local schools. These bags had been purchased in June 2017. No bags were stolen or went missing during the year. This has not been recorded.