



NATIONAL SENIOR CERTIFICATE EXAMINATION
NOVEMBER 2021

ACCOUNTING: PAPER I

Time: 2 hours

200 marks

INFORMATION BOOKLET

QUESTION 1 INVENTORY SYSTEMS & VAT (32 marks, 20 minutes)**QUESTION 1.1 INVENTORY SYSTEMS (23 marks, 14 minutes)****Information relating to C&C Sound****Ignore VAT for the purposes of the Inventory Section.**

Chloë & Cayley own C&C Sound which sells earpods and speakers. They use the periodic inventory system for all stock. The financial year ends on 31 October 2021.

Chloë & Cayley are granted 30 days by suppliers to return stock that they are not satisfied with.

A. Earpods:

They use the **weighted average method** to value the stock.

1. Below are the stock records for the earpods during the year.

Note: an earpod unit is a set of 2 earpods (left and right)

	Number of units	Unit cost	Total cost
Opening stock (1 November 2020)	400	R325	R130 000
Purchases during the year	1 500		R416 000
December 2020	800	R250	R200 000
March 2021	500	R300	R150 000
July 2021	200	R330	R66 000

2. The following information was extracted from the stock records:
- 60 of the earpod units purchased in December were returned to the supplier as they did not meet the quality specifications.
 - There were 176 units on hand at the end of the financial year.
 - Carriage on purchases amounted to R11 800 for the year.
 - They sold 1 630 units during the year at R525 each.

B. Speakers:

They use the **First In First Out (FIFO) method** to value the stock.

3. Below are the stock records for the speakers during the year.

	Number of units	Unit cost	Total cost
Opening stock (1 November 2020)	150	R700	R105 000
Purchases during the year	1 160		R755 000
January 2021	400	R650	R260 000
May 2021	500	R600	R300 000
September 2021	260	R750	R195 000

4. The following information was extracted from the stock records:

- (a) There is no carriage on purchases as orders over R100 000 are delivered for free.
- (b) On 1 June 2021 they returned 50 speakers purchased as they were faulty.
- (c) Total sales of 1 130 speakers for the year amounted to R2 373 000.
- (d) Closing Stock amounts to 130 speakers.

QUESTION 1.2 VAT

(9 marks, 6 minutes)

Information relating to C&C Sound

VAT is calculated at 15%.

Selected transactions involving VAT taken from the financial records of C&C Sound for the year ending 31 October 2021:

- 1. Sold stock that had a selling price of R39 200 exclusive (R45 080 inclusive).
- 2. A debtor who owed R7 705 was declared insolvent, and her account must be written off.
- 3. Purchased goods on credit that cost R15 200 exclusive, this was before a 5% trade discount was granted.

QUESTION 2 COMPANY FINANCIAL STATEMENTS (61 marks, 37 minutes)**Information relating to Lesedi Limited**

Lesedi Limited is a South African listed company with an authorised share capital of 7 000 000 ordinary shares. They supply educational and learning equipment and materials to schools and universities across Southern Africa. They use a standard mark-up of 75% on cost at all times.

1. Extracted balances from the financial records on 1 March 2020:

Balance Sheet Section	
Ordinary share capital (on 1 March 2020) [made up of 4 500 000 ordinary shares]	R10 800 000
Retained income	R3 780 000
Consumable stores on hand (Stationery)	R1 300
Deposit: Rates & Taxes	R2 970

2. Extracted balances/totals from the Pre-adjustment Trial Balance for the year ended 28 February 2021:

Balance Sheet Section	
Debtors control	R139 250
Provision for bad debts	R6 150
Trading stock	R865 300
Bank	R1 235 700
SARS: Income tax	R419 300 (dr)
Creditors control	R221 300
Nominal Accounts Section	
Sales	R4 450 000
Cost of sales	R2 400 000
Debtors' allowances	R12 250
Interest expense	R24 300
Commission income	R30 100
Rent income	R234 850

INFORMATION**A. Transactions involving Shares and Dividends (These have been recorded.)**

- 1 March 2020: There were 4 500 000 ordinary shares in issue.
 30 June 2020: Sold another 500 000 ordinary shares at R2,80 each
 1 September 2020: Declared and paid interim dividends totalling R425 000.
 3 January 2021: Repurchased 25 000 shares from the estate of a deceased shareholder for R2,95 each.
 28 February 2021: Declared a final dividend of 14 cents per share only on the shares in issue on this date.

B. Additional information and adjustments that still needs to be taken into account:

1. An amount of R2 750 is still owing for Commission Income.
2. A debtor returned stock in good condition. A credit note was issued for R10 640, this was **after** a 5% trade discount had been allowed on the original sale.
3. Provision for bad debts must be adjusted to R5 230.
4. There are three directors in the company, each of whom earns an annual director's fee of R60 000 each. One director donated goods that cost R20 000 to her child's school, this must be offset against her director's fees and has not been recorded. Not all fees have been paid.
5. The annual physical stock count revealed the following was on hand:
 - Trading stock R841 900
A box of classroom materials valued at R2 500 was packed and awaiting collecting by a customer. The sale had been correctly recorded and the box was incorrectly counted during the stock-taking process.
 - Stationery R1 210

The bookkeeper forgot to reverse the stationery on hand at the beginning of the year.

6. Packing Material to the value of R6 700 was ordered and paid for, this transaction has been recorded. The supplier's truck broke down and the packing material has not been received. The supplier agreed to refund the business 5% on 5 March 2021, as a penalty for missing the delivery deadline.
7. The City of Johannesburg requires an additional amount of R750 to be added to the deposit on the rates and taxes account. The amount has been paid but was incorrectly recorded as R570.
8. The rent was increased by R1 225 on 1 October 2020. Rent is received one month in advance.
9. Income tax is charged at 30% by SARS.

QUESTION 3 CASH FLOW STATEMENTS**(50 marks, 30 minutes)****Information relating to Simelane Sauces Ltd**

Simelane Sauces Ltd is a Proudly South African listed company with an authorised share capital of 6 000 000 shares. They supply the restaurant and catering industry with premier quality locally made sauces.

1. The Statement of Comprehensive Income (Income Statement) for the year ended 28 February 2021 revealed the following:

Depreciation	R214 000
Interest Expense	?
Net profit before taxation	R1 586 000
Taxation	30% of profit

2. Extract from the Statement of Financial Position (Balance Sheet) as at:

	28 February 2021	28 February 2020
Ordinary share capital	R4 554 000 (4 950 000 shares)	R2 920 000 (3 600 000 shares)
Retained income	R1 220 800	R980 000
Fixed assets (at carrying value)	R2 981 000	R2 780 000
Loan: Bianca Bank (12% p.a.)	R1 100 000	R930 000
Trading stock	?	R838 700
Debtors control	R1 452 000	?
Creditors control	R696 000	R624 000
Accrued expenses	R13 000	R17 000
SARS (VAT)	R6 500 (cr)	R4 000 (cr)
SARS (Income Tax)	R9 000 (dr)	R34 000 (cr)
Shareholders for dividends	R660 500	R252 000

3. Additional information:

3.1 Shares

- At the end of the year the company bought back 50 000 shares for R70 000 from the estate of a deceased shareholder.
- During the year new shares were issued at R1,20 each.

3.2 Loans

- Interest is capitalised.
- Repayments of the capital portion of the loan amount to R15 000 per month.
- Balance as at 1 March 2020 R930 000
- Additional Loan ?
- Loan Repayments including Interest R271 500
- Balance as at 28 February 2021 R1 100 000

3.3 Dividends

- Both interim and final dividends were declared during the year.
- The dividends paid as per the cash flow statement on 28 February 2021 amounted to R436 900.

3.4 The movement in trade and other receivables resulted in an outflow of cash of R152 000.

3.5 The following indicators were extracted from the financial statements as at the year ended 28 February 2021:

- Current Ratio 2,2:1
- Acid Test Ratio 1,5:1
- Total Current Liabilities R1 376 000

3.6 Fixed and Financial Assets

- During the year, Simelane Sauces Ltd purchased 3 new identical delivery trucks each at the same price. They sold off old equipment at the book value of R860 000.

3.7 The remaining completed sections of the cash flow statement for the year ended 28 February 2021 revealed the following:

- Cash **generated** from operating activities R638 300
- Cash **utilised** in investing activities R415 000

QUESTION 4 MANUFACTURING & ASSET MANAGEMENT**(57 marks, 33 minutes)****Information relating to Makhaza Manufacturers**

Makhaza Manufacturers is a local manufacturing business that produces steel drums for use in the industrial sector. They mark-up the drums by 60% on cost at all times. They own their own factory and equipment and one delivery truck. Their current financial year-end is 31 October 2021.

QUESTION 4.1 ASSET MANAGEMENT**(14 marks, 10 minutes)**

1. Extracted balances from the financial records.

	31 October 2021	1 November 2020
Equipment (all used in the factory)	?	R2 430 000
Accumulated depreciation on equipment	?	R1 093 500

2. On 31 January 2021 they sold old equipment for R475 000 cash. This equipment was purchased for R640 000. Equipment is depreciated 12% p.a. on the diminishing balance method. On 1 November 2020 the equipment that was sold had an accumulated depreciation of R143 500.
3. No additional equipment was purchased during the year.

QUESTION 4.2 MANUFACTURING**(43 marks, 23 minutes)**

1. The following **balances** were found in the stock accounts:

	31 October 2021	1 November 2020
Raw materials stock	R916 000	R734 000
Indirect materials stock	R17 300	R14 500
Work-in-progress stock	?	R264 000
Finished goods stock	R360 000	R446 000

2. Direct & Indirect Materials

- R48 200 worth of indirect materials were purchased during the year. All indirect materials are used in the production process.
- Raw materials purchased during the year amounted to R1 712 500.
- R31 500 worth of raw materials were returned to the supplier as it did not meet the specifications.
- The storeroom was left unlocked and R10 000 worth of steel (raw material) was stolen. The loss is regarded as a factory overhead expense.

3. Salaries & Wages

- The factory foreman was paid a net annual salary of R293 280. This was after 8% was deducted for pension and UIF, as well as R60 000 for his annual medical aid. The business contributes on a Rand for Rand basis to the pension and UIF.
- The factory employs 12 workers at R30/hour. Each employee worked 2 080 hours in the year. The total contributions made to the pension and UIF amounted to R111 100.

4. Factory Overheads

- The following totals were extracted from the Pre-Adjustment Trial Balance on 31 October 2021:

– Rates & Taxes	R39 000
– Water & Electricity	R63 800
– Insurance	R93 600
- The factory equipment was depreciated as per Question 4.1 on the previous page.
- The factory uses 85% of the water and electricity. The water and electricity account for October 2021 for R5 800 has been received but not yet paid.
- Rates and taxes are allocated according to the floor space ratio: factory: offices: sales 1200 m²: 300 m²: 100 m².
- The insurance for November 2021 has been paid in advance, R7 200. Half the insurance is allocated to the factory.

5. Sales

- The annual sales figure was R5 250 000 (Cost of sales R3 281 250).

6. Break-even

- The following break-even calculation was done at the end of the year. It took into account administration and selling and distribution expenses:

$$\frac{1\,020\,000}{525 - \frac{3\,400\,000}{12\,500}} = 6\,892 \text{ units}$$