



NATIONAL SENIOR CERTIFICATE EXAMINATION  
NOVEMBER 2023

**ACCOUNTING: PAPER I**

Time: 2 hours

200 marks

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**INFORMATION BOOKLET**

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**QUESTION 1 ASSET MANAGEMENT & VAT (52 marks, 31 minutes)**

**Information relating to Patel Power.**

Krishna Patel owns Patel Power. They are an established South African business that imports alternative energy components from an international manufacturer, Zhang Zapa. The 2022/23 scheduled loadshedding has dramatically increased the demand for their WiFi UPS (uninterrupted power supply) units.

- They use the **periodic** inventory system for all stock.
- They have a fleet of six delivery vehicles.
- They are VAT registered on the invoice basis method.

**QUESTION 1A INVENTORY SYSTEMS (26 marks, 16 minutes)**

Patel Power values their stock using the **Weighted Average** method.

A UPS unit consists of one component and is bought and sold as a single unit.

The stock records for the financial year ending 28 February 2023 were as follows:

	Number of sets	Cost	
		Per Unit	Total
Opening stock (1 March 2022)	3 000	325	975 000
Purchases during the year	48 000		15 600 000
June 2022	6 000	375	2 250 000
September 2022	12 000	425	5 100 000
December 2022	30 000	275	8 250 000
Units gifted in January 2023	1 500	0	0
Closing Stock (28 February 2023)	8 200		

- The following information was extracted from the stock records:
  - They sold 42 150 units during the year at R595 each.
  - 2 000 units were returned in October as they had the European plug point. Zhang Zapa accepted the return.
  - In January Zhang Zapa gifted 1 500 units as they became a preferred customer based on their purchase history. They delivered these free of charge to Patel Power.
  - A total of R81 500 was paid for carriage on purchases during the year.
  - On 30 December Krishna discovered that an employee, Mad Mak had been stealing UPS units throughout the year. She subsequently dismissed the employee. The value of the loss (calculated on the weighted average method) was deemed to be of a material nature. A claim for the loss was lodged with the insurance company.

**QUESTION 1B      FIXED ASSETS**

**(18 marks, 10 minutes)**

1.      Extracted balances:

	28 February 2023	1 March 2022
Vehicles	?	R1 800 000
Accumulated Depreciation on Vehicles	R1 063 500	?

2.      The following transactions relate to the vehicles for the year ended 28 February 2023:

- (a)      A new vehicle was purchased during the year for R360 000.
- (b)      An old vehicle which cost R250 000 was sold during the year for R120 000 cash. The business made a profit of R38 750 on this sale.
- (c)      Vehicles are depreciated at 15% p.a. using the cost price method. Depreciation on all vehicles (sold, remaining and new) has been correctly calculated to be R287 250.

**QUESTION 1C      VAT**

**(8 marks, 5 minutes)**

**VAT is calculated at 15%**

The following transactions were taken from the accounting records of Patel Power for the year ended 28 February 2023.

On 1 February 2023 the SARS (VAT) account had a **credit balance** of R34 500.

- 1.      Purchased goods marked at R8 800 exclusive before a 7½% trade discount was allowed.
- 2.      A debtor paid R54 625 after a 5% settlement discount was allowed.
- 3.      A debtor whose account of R6 095 had been written off as a bad debt returned to pay us the full amount.

**QUESTION 2      COMPANY FINANCIAL STATEMENTS      (62 marks, 37 minutes)****Information relating to Mazibuko Solutions Ltd.**

Mazibuko Solutions Ltd is a South African listed company with an authorised share capital of 4 000 000 ordinary shares. They sell and service alternative energy components to the public.

They add a standard mark-up of 150% on the cost of all goods. Their latest financial year-end is 28 February 2023.

1.      Extracted balances from the financial statements on **28 February 2022**.

<b>Balance sheet section</b>	
Ordinary share capital (2 750 000 ordinary shares)	R17 875 000
Retained income	R9 125 000
<b>Current assets</b> (including, amongst others, the below)	<b>R83 950 000</b>
Trading stock	?
Provision for bad debts	R617 750
<b>Current Liabilities</b> (including, amongst others, the below)	<b>R36 500 000</b>
Creditors' control	R32 450 000
Income Received in Advance (Fee Income)	R4 000

2.      Extracted balances / totals from the pre-adjustment trial balance for the year ended **28 February 2023**.

<b>Balance sheet section</b>	
Trading stock	?
Debtors' control	R17 648 000
Bank	R30 890 000
SARS: Income tax	R2 300 000 (dr)
Loan: Zizi Bank (9% p.a.)	R10 500 000
Creditors' control	R48 420 000
<b>Nominal Accounts Section</b>	
Sales	R78 650 000
Cost of sales	R31 460 000
Debtors' allowances	R393 250
Fee income	R1 140 000
Consumable stores	R299 000
Ordinary share dividends (27½ cents)	R756 250

**Additional information relating to shares for the year ended 28 February 2023:**

- 31 July 2022: The company issued an additional 750 000 ordinary shares at R10 each.
- 2 January 2023: The company bought back 150 000 ordinary shares and paid the estate of a deceased shareholder R1 710 000.

**Additional information and adjustments that still need to be taken into account:**

1. The telephone account for February 2023 totalling R12 500 had been received but not yet paid.
2. The insurance **expense** for the financial year amounted to R88 200.
3. The bookkeeper forgot to reverse the income received in advance at the start of the year for fee income.
4. A service was done for a cash customer in February 2023. The customer showed a proof of payment statement to the technicians, but no entry was made in the books of the business. On investigation it was discovered that the payment never went through and Mazibuko Solutions Ltd is still owed the fee of R6 000.
5. The tenant miscalculated the annual increase and has overpaid the February rent by R2 500. He has asked that this be offset against his rent for March 2023.
6. The bank statement was downloaded on 28 February and the following still needs to be recorded by the company:
  - 6.1 Bank charges R2 500 and interest on current account R12 600.
  - 6.2 An EFT payment of R85 000 for a four-month advertising contract which was started on 1 February 2023.
7. The loan is repaid in eight equal annual instalments. On 1 September 2022 the company made the first loan instalment payment. The loan repayment and interest on the loan have been correctly recorded. Interest is not capitalised.
8. A debtor claimed that a 5kVA model had been installed and he had been charged for an 8kVA. It was agreed to grant him an allowance of R9 500.
9. Thato Transistors (who is both a customer and a supplier) was overpaid. They requested that the debit balance of R2 000 in their creditors ledger account be transferred to their debtors ledger account.
10. Provision for bad debts must be adjusted to R529 215.

**11. Inventories:**

11.1 The following financial indicators were calculated on **28 February 2022**:

- Current Ratio 2,3:1
- Acid Test Ratio 1,2:1

11.2 The net movement of stock (considering all purchases, sales and returns) resulted in the opening balance being increased by R4 500 000 before the end of year stock taking.

11.3 The trading stock deficit for the year was R2 125 000.

11.4 It was discovered that an employee had stolen R15 000 worth of diesel fuel (consumable store) in February. This was not insured and has not yet been recorded.

11.5 The physical stock count on 28 February 2023 revealed that R23 000 worth of consumables stores were in hand.

12. Income tax is calculated at 30% of profits.

13. On 28 February 2023, the company declared a final dividend of 30 cents on all shares in issue.

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**QUESTION 3 CASH FLOW STATEMENTS****(48 marks, 29 minutes)****Information relating to Fullerton Fresh Ltd.**

Fullerton Fresh Ltd is a South African listed company with an authorised share capital of 10 000 000 shares. They produce, package and supply major retail outlets with fresh produce.

1. Extract from the statement of comprehensive income (income statement) for the year ended 28 February 2023:

Sales	R285 246 000
Cost of sales	R124 020 000
Depreciation	?
Interest on loan	?
Income tax (30% of profit)	R2 946 000

2. Extract from the statement of financial position (balance sheet) as at:

	<b>28 February 2023</b>	<b>28 February 2022</b>
Ordinary share capital	R46 500 000	?
Retained income	?	?
Fixed assets (at carrying value)	R7 216 000	R6 950 000
Loan: Moyo Bank (12% p.a.)	R29 700 000	R20 100 000
Cash & cash equivalents	?	R1 370 000
Debtors control	R43 800 000	R31 200 000
Accrued income (sundry incomes)	R60 000	R85 000
Accrued expenses (sundry expenses)	R115 000	R90 000
SARS (Income Tax)	R32 000 (cr)	R38 000 (cr)
Shareholders for dividends	R577 500	R487 500

3. Additional information:

**3.1 Fixed Assets**

- During the year the company purchased new equipment for R1 500 000 less 10% trade discount.
- The company sold old equipment at its book value of R99 000.

**3.2 Loan and Interest**

- The loan from Moyo Bank is the only non-current liability the company has.
- Interest on the loan is capitalised. A new loan for R13 000 000 was taken out during the year. An amount of R5 800 000 was paid to Moyo Bank as the repayment as well as the interest on the loan.



### 3.3 Appropriation of profit

- An amount of R5 602 500 was retained after tax and dividends for the year.

### 3.4 Working capital

- Inventories decreased by R78 000 during the year.
- The movement of the trade and other payables resulted in an inflow of cash of R9 580 000.

### 3.5 Shareholders' equity

- The company sold and repurchased shares throughout the year.
- The debt-equity ratio was 0,48:1 as at **28 February 2023**.

### 3.6 Cash movement

- Cash **generated** by financing activities      R36 471 000.
- Cash **utilised** in investing activities              R1 401 000.

**QUESTION 4      MANUFACTURING****(38 marks, 23 minutes)****Information relating to Watson Watches.**

Watson Watches is a South African manufacturing company that manufactures a specialised extreme sport watch.

The factory occupies 400m<sup>2</sup>, the administration offices 200m<sup>2</sup> and sales office 300m<sup>2</sup>.

Their financial year ends on 28 February.

**1.      Direct and indirect materials**

- (a)      The following balances were extracted from their financial records:

	<b>2023</b>	<b>2022</b>
Direct (raw) materials	2 190 000	1 350 000
Indirect materials	250 000	160 000

- (b)      Raw materials worth R4 455 000 were purchased on credit.
- (c)      R200 000 worth of raw materials were not of the required standard and were returned to the suppliers.
- (d)      The following figures relate to the carriage of goods:
- (i)      Import duties on raw materials, R80 250.
- (ii)     Delivery of raw materials to the factory, R145 000.
- (iii)    A refund for the non-delivery of raw materials was received, R1 750.
- (e)      Indirect materials of R930 000 were purchased during the year. 15% of all indirect materials are used in the administration and sales departments, the balance is used in the factory.

**2.      Labour**

- (a)      The factory supervisor took home a net annual salary of R173 760 after 34% deductions for UIF, PAYE and pension were made. He also has an **annual deduction** of R48 000 for medical aid.
- (b)      The business contributes a total of 9% of the gross earnings of all employees towards their pension and UIF.

**3. General Expenses**

(a) The following totals were extracted from the pre-adjustment trial balance on 28 February 2023:

Rent Expense	R636 480
Insurance	R70 200
Security costs	R104 500

- (b) Rent is paid one month in advance. It is allocated as per the floor space occupied by each department. Rent was increased by R4 680 on 1 October 2022.
- (c) The water and electricity used, costs R6 000 per month. The administrative offices used 14%, the sales department 6% and the factory uses the rest.
- (d) The insurance premiums have remained unchanged for the year. Half of the insurance is allocated to the factory.
- (e) The security costs have remained unchanged throughout the year. The invoice for February 2023 has not been paid. All costs are allocated to the guarding of the factory.

**4. Production costs**

(a) The following balances were extracted from their financial records:

	<b>2023</b>	<b>2022</b>
Work in progress	1 275 660	1 042 000
Finished goods	7 280 000	6 320 000

(b) Sales totalled R16 375 000 (the mark up on cost was 150%).