



NATIONAL SENIOR CERTIFICATE EXAMINATION  
NOVEMBER 2024

**ACCOUNTING: PAPER I**

Time: 2 hours

200 marks

---

**INFORMATION BOOKLET**

---

**QUESTION 1 INVENTORIES & VAT****(40 marks, 24 minutes)****Information relating to Caitlin's Coffee**

Caitlin's Coffee is a locally run business that sells coffee beans to online customers. Recently they have expanded their product range to include personalised coffee mugs.

- They use the periodic inventory system for all stock.
- They are VAT registered on the invoice base method.

**QUESTION 1A INVENTORY SYSTEMS****(30 marks, 18 minutes)**

Caitlin's Coffee values their stock of beans using the First In First Out (FIFO) method, and have decided to use the Weighted Average method for the mugs.

- A unit consists of one mug or one bag of beans.

The stock records for the latest financial year that ended on 29 February 2024 were as follows:

**A. Bags of Beans – First In First Out (FIFO)**

	<b>Number of units</b>	<b>Cost per unit</b>	<b>Total Cost</b>
Opening stock (1 March 2023)	9 000	R22	R198 000
Purchases during the year	55 000		R1 144 000
April 2023	28 000	R20	R560 000
July 2023	13 000	R18	R234 000
September 2023	14 000	R25	R350 000

- 150 bags from the opening stock were used as advertising in various promotional events during the year.
- 1 600 of the bags of beans purchased in April were returned to the supplier.
- There were no delivery charges on the bags of beans during the year.
- Sold 45 000 bags of beans at R60 each during the year.

**B. Coffee Mugs – Weighted Average**

- The business started the year with 1 200 mugs on hand with a weighted average of R15 each.
- During the year the business purchased 22 000 mugs for R264 000. This was before they returned 2 500 mugs to the supplier and received a credit note to the value of R32 500.
- The supplier gave Caitlin's Coffee 100 mugs that they had made by mistake. There was no charge for these.
- The carriage on all mugs purchased totalled R27 140.
- Sales totalled R600 000 (20 000 mugs at R30 each).

**QUESTION 1B      VAT****(10 marks, 6 minutes)****VAT is calculated at 15%**

Caitlin's Coffee's bookkeeper calculated that the business owed SARS R39 000 for VAT. However, she had forgotten to record the following transactions:

NOTE: All credit sales receive a 5% trade discount as part of their loyalty programme.

1. A debtor returned mugs with a net value (after the trade discount was taken into account) of R3 220 VAT inclusive, as our delivery company had dropped the box.
2. A creditor indicated that they had not received our payment and as such the discount of R2 070 was cancelled.
3. Total gross sales (before trade discount was taken into account) for the last week amounted to R80 000 VAT exclusive (80% was for cash, this was recorded correctly). The VAT on the **credit sales** was not recorded.

**QUESTION 2      COMPANY FINANCIAL STATEMENTS      (67 marks, 40 minutes)****Information relating to Dhlamini Distributors Limited**

Dhlamini Distributors Limited is a South African listed company with an authorised share capital of 7 500 000 ordinary shares.

- Their latest financial year-end is 29 February 2024.

2.1 Balances/totals extracted from the Financial statements on **28 February 2023**:

<b>Balance Sheet Section</b>	
Shareholders' equity	R45 000 000
Ordinary share capital (4 000 000 ordinary shares)	R38 730 000
Fixed deposit: TT Bank	R2 100 000
Provision for bad debts	R191 000
Prepaid Expenses (Rent Expense)	R25 500

2.2 Balances/totals extracted from the Pre-adjustment trial balance for the year ended **29 February 2024**:

<b>Balance Sheet Section</b>	
Trading stock	R6 450 000
Debtors' control	R4 920 000
Loan: Zhen Bank (12% p.a.)	R8 400 000
Creditors control	R15 870 000
<b>Nominal Accounts Section</b>	
Sales	R18 450 000
Cost of sales	R8 200 000
Debtors' allowances	R56 000
Commission income	R70 000
Advertising	R160 600
Rent expense	?
Interest on fixed deposit	R126 000

**Additional information relating to shares, dividends and taxation for the year ended 29 February 2024:**

- 31 May 2023: The company declared and paid an interim dividend of R700 000 to shareholders.
- 30 June 2023: The company raised an additional R5 890 000 ordinary share capital by issuing 600 000 ordinary shares.
- 26 February 2024: The company bought back 100 000 ordinary shares at 1 140 cents each. It was agreed that these shares would be entitled to the final dividend declared on 29 February 2024.
- 28 February 2024: The total provisional tax payments for the year made by the company to SARS amounted to R1 350 000.
- 29 February 2024: The company declared a final dividend of 24 cents per share.

After the final taxation for the year was calculated, the company was due a refund of R408 390 from SARS.

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

1. The total commission income earned for the year amounted to R62 700.
2. The advertising cost is spread evenly throughout the year. The payment for February 2024 has not been made.
3. The bank statement was downloaded on 29 February and revealed the following which still need to be recorded:
  - 3.1 Bank charges of R850.
  - 3.2 The debit order for the February insurance premium of R6 500 was not yet recorded by the business.
  - 3.3 The company had incorrectly recorded a direct deposit from a debtor as R52 000 instead of R25 000.
4. A debtor who overpaid their account requested that the overpayment be transferred to their creditors account. The bookkeeper incorrectly deducted R6 000 from the creditors ledger account and transferred it to the debtors ledger account. Correct the error.
5. A debtor returned resalable goods that cost R16 000. They had an original selling price of R36 000 before a 10% trade discount that was granted. The customer was charged a R500 handling fee, which was added to her account.
6. Provision for bad debts must be decreased by R30 500.
7. The rental agreement states that rent must be paid one month in advance and that it is increased by 8% on 1 January each year. The bookkeeper forgot to reverse the prepaid rent at the start of the year.

8. The company has three directors who each earn the same monthly directors fees. Two of them have not been paid their February 2024 fees because:
  - 8.1 One director took stock worth R25 000 for her own use. The balance of her fees is still owing to her.
  - 8.2 The other director took an old vehicle for her son. The agreed upon price was R90 000 so that the company would make a R5 000 profit on the disposal. As this was more than her February fees, it was agreed to take the balance off her March 2024 fees.
9. The interest on the fixed deposit is still owing for the last quarter of the year. Interest is not capitalised. There was no change in the fixed deposit during the year.
10. After the annual stock take count, it was discovered that:
  - Stock on hand, R6 396 000 and
  - Packing material on hand amounted to R6 300.
11. The loan was negotiated over a 20-year period with equal annual repayments to be made. The first 6-years worth of payments have been made and recorded correctly. The interest on the loan is not capitalised and has been correctly recorded.

**This page has deliberately been left blank.**

**QUESTION 3 CASH FLOW STATEMENTS****(45 marks, 27 minutes)****Information relating to Nkosi Neon Ltd**

Nkosi Neon Ltd is a South African listed company with an authorised share capital of 3 000 000 shares. They trade in various lighting solutions for the corporate market.

## 3.1 Share information:

On 1 March 2023 the company had raised R16 800 000 in share capital by issuing 2 400 000 ordinary shares.

## 3.2 Extract from the Statement of comprehensive income (income statement) for the year ended 29 February 2024:

Sales	R7 650 000
Cost of sales	R3 220 000
Depreciation	R640 000
Interest on mortgage bond	?
Income tax (30% of profit)	?
Net profit after tax	R1 631 000

## 3.3 Extract from the Statement of financial position (balance sheet) as at:

	<b>29 February 2024</b>	<b>28 February 2023</b>
Fixed assets	R12 600 000	R10 800 000
Loan: Kat Bank	R7 900 000	R6 500 000
Bank	Credit R84 000	Debit R126 000
Cash float	R10 000	R7 000
Trading inventory	R5 430 000	?
Trade debtors	?	R2 240 000
Trade creditors	R4 105 000	R3 640 000
SARS (VAT)	Credit R24 000	Credit R31 000
Accrued expenses (Insurance)	R12 000	R9 000
SARS (Income Tax)	Credit R18 000	Debit R11 000
Shareholders for dividends	R510 000	R420 000

## 3.4 Additional information:

3.4.1 **Fixed Assets**

- During the year the company sold an old vehicle for R420 000. The company made a profit of R25 000 on this sale. All entries were made and correctly accounted for on the date of sale.
- During the year the company purchased a new warehouse, as well as the relevant equipment it required.

**3.4.2 Investments**

- On 14 February 2024 Nkosi Neon Ltd bought 50 000 shares in Chokwe Cables Ltd for a total of R300 000.

**3.4.3 Dividends**

- Interim dividends were paid and final dividends were declared during the year.
- The total dividends **paid** during the year (as it appears on the cash flow statement) amounted to R800 000.

**3.4.4 Loan and Interest**

- Interest on the loan is capitalised.
- A new loan for R1 800 000 was taken out in order to help fund the purchase of the new warehouse.
- R95 000 was paid each month to cover the monthly repayments and the interest on the loan.

**3.4.5 Working capital**

- The change in the trade and other receivables resulted in a cash inflow R154 000.
- Stock levels increased by R675 000.

**QUESTION 4      MANUFACTURING & FIXED ASSETS      (48 marks, 29 minutes)****Information for Part A and Part B relates to Caragh Cables Ltd**

Caragh Cables Ltd manufactures an affordable range of high-quality fibre cables.

- Their financial year-end is 29 February 2024.
- Their fixed assets consist of three delivery vehicles and manufacturing equipment.

**PART A                  FIXED ASSETS                  (15 marks, 10 minutes)****Delivery vehicles**

4.1 Additional transactions involving the delivery vehicles that took place during the year:

4.1.1 An old delivery vehicle with a carrying value of R40 000 on 1 March 2023 was sold for R60 000 cash later in the year. It originally cost R320 000 and on the date of sale it had a total accumulated depreciation of R286 000.

4.1.2 Bought a new delivery vehicle on account.

4.2 Delivery vehicles are depreciated at 20% p.a. on the diminished balance method.

Depreciation on the vehicle **sold** and the **new** vehicle purchased totalled R24 000.

**PART B MANUFACTURING****(33 marks, 19 minutes)**

The factory occupies 900 m<sup>2</sup> and the sales and administration department occupy the remainder of the 1 300 m<sup>2</sup> property.

1. **Balances on:**

	<b>29 February 2024</b>	<b>28 February 2023</b>
Raw materials	R914 000	R875 000
Work-in-progress	R523 000	R608 000
Finished goods	R435 000	R569 000
Consumable stores	R17 400	R14 800

2. Total sales for the year amounted to R2 850 000. A mark-up of 50% on cost is applied to all cable sales.

3. **Direct & indirect materials**

- (a) Consumable stores purchased during the year totalled R45 000. 90% of all consumable stores are used in the factory.
- (b) Raw materials purchased during the year amounted to R3 140 000. R65 000 of these were returned to the suppliers.
- (c) Carriage on all materials totalled R8 000 for the year. It was decided to allocate all this to the raw materials account.
- (d) The following transactions were regarded as production expenses (factory overheads):
- (i) R10 000 worth of raw materials were stolen. The insurance company has agreed to pay out the claim less an excess of R2 000.
  - (ii) The value of the raw material that was wasted during production amounted to R15 000. This is regarded as a production expense.

4. **Indirect labour costs**

- (a) The factory supervisor took home a net salary of R34 400 **per month**. This was after a medical aid deduction of R3 000 and 32% was deducted for PAYE, pension and UIF. The company contributed R6 450 per month to her pension, UIF and medical aid funds.

**5. General Expenses**

- (a) The sundry expenses have remained the same for the year. An amount of R57 200 had been paid, but this does not include the February 2024 accounts. Half of all sundry expenses are allocated to the production process.
- (b) The insurance is allocated to the factory, administrative department and the sales offices in a ratio of 5:4:3 respectively. The annual insurance cost allocated to the **sales department** amounted to R31 200.
- (c) The total security cost expense for the year was R149 500. Security costs are allocated according to the floor space used.
- (d) Depreciation on the manufacturing equipment was calculated on the production unit method. A total of 47 100 units were produced for the year at a production unit cost of R2 each.

**Total: 200 marks**