

QUESTION 1 INVENTORY AND VAT

[43 marks; 25 minutes]

PART A

1.1 Calculate the value per skateboard on 1 July 2018.

--

(2)

1.2 Calculate the value of the stock on hand on 30 June 2019.

--

(5)

1.3 1.3.1 Calculate the cost of sales on 30 June 2019.

(5)

1.3.2 Calculate the Gross profit on 30 June 2019.

(4)

1.4 Calculate the mark-up percentage achieved by Pro Model Skateboards.

--

(2)

1.5 Calculate the rate of stock turnover.

--

(4)

1.6 The owner, Jean-Marc, is not sure why the accountant has told him it would be better for him to change from the FIFO method of stock valuation. Jean-Marc wants to continue using FIFO but the accountant, Graham, wants to use the weighted-average method because he says the profit will be lower, which means they will pay less tax.

They have approached you, as the internal auditor, to advise them on which method they should use. Substantiate your answer by providing two points.

•
•

(4)

[26]

PART B

1.7 What is meant by the term *VAT Vendor*?

--

(1)

1.8 Marvellous Marvin Music Mania uses the invoice-based method to calculate VAT. Name the alternative method that could be used.

--

(1)

1.9 What measure does SARS have in place to ensure that the up-loaded information on their system is protected and not tampered with in any way?


--

(1)

1.10 What is the difference between VAT-exempt items and zero-rated items in South Africa?

(2)

1.11 Complete the table below. Calculate the VAT amount per transaction and allocate it to the correct column. Start the table with the opening amount given. Calculate the amount due or payable to SARS. (Circle payable to or receivable from.)

Due from SARS:		Due to SARS:
		

VAT: Payable to / Receivable from SARS: _____

(12)
[17]

43

Calculation for accumulated depreciation on equipment

(15)

2.3 Complete the Cash Flow Statement for the year ended 30 June 2019.

Interest calculation

(5)

Taxation paid calculation

(5)

CASH FLOW STATEMENT FOR THE YEAR ENDED 30 JUNE 2019		
Cash effects of operating activities		
Cash generated from operations		1 140 800
Interest paid		
Dividends paid		(152 800)
Income tax paid		
Cash flow from investing activities		
Fixed assets purchased		
Cash flow from financing activities		
Proceeds from the issue of shares		
Long-term loans		
Net change in cash and cash equivalents		
Cash and cash equivalents – beginning of the year		(2 590 000)
Cash and cash equivalents – end of the year		

(14)

2.4 The debt–equity ratio for 2018 was 0,3 : 1. Calculate and comment on the ratio for 2019.

Calculation:

(2)

Comment:

(2)

2.5 The directors have made some major changes in the past year. This has affected the cash position of the company in various ways. List THREE of the biggest changes. Justify your answer with figures.

A.
B.
C.

(6)

QUESTION 3 COMPANIES

[67 marks; 40 minutes]

PART A

3.1 Prepare the ordinary share capital note.

		R
	Ordinary shares on 1 March 2018	
	Ordinary shares issued at: _____	
	Shares on 28 February 2019	

(9)

3.2 Calculate the retained income figure for 2019.

(4)

PART B (Part A and Part B are two separate questions)

3.3

INCOME STATEMENT FOR THE YEAR ENDED 31 December 2018		
Sales (4 690 400		
Cost of sales (3 752 320		
Gross profit		Do not calculate
Other income		Do not calculate
Gross operating profit		Do not calculate
Operating expenses		Do not calculate
Sundry expenses		31 000
Bank charges		4 900
Audit fees (41 480		
Directors fees (576 000		
Salaries and wages		528 085
Employer contributions		108 000
Rent expense (63 360		
Bad debts (3 620		
Depreciation (18 210		
Operating profit		Do not calculate
Interest income		42 000
Profit before interest expense		765 400
Interest expense		
Net profit before tax		
Income tax for the year		
Net profit after tax		Do not calculate

(34)

QUESTION 4 MANUFACTURING

[33 marks; 20 minutes]

4.1 Calculate the cost of raw materials issued to the factory during the financial year.

--

(8)

4.2 Calculate the direct labour costs for the year ended 31 December 2018.

--

(6)

4.3 Complete the note for factory overhead costs.

(8)

4.4 Production Cost Statement

Prime cost	
Work in progress (opening balance)	115 556
Work in progress closing balance	
Total cost of production of finished goods	

(6)

Calculation of total cost of finished goods
--

(5)

33

Total: 200 marks