NATIONAL SENIOR CERTIFICATE EXAMINATION
NOVEMBER 2022

ACCOUNTING: PAPER I

MARKING GUIDELINES

Time: 2 hours 200 marks

These marking guidelines are prepared for use by examiners and sub-examiners, all of whom are required to attend a standardisation meeting to ensure that the guidelines are consistently interpreted and applied in the marking of candidates' scripts.

The IEB will not enter into any discussions or correspondence about any marking guidelines. It is acknowledged that there may be different views about some matters of emphasis or detail in the guidelines. It is also recognised that, without the benefit of attendance at a standardisation meeting, there may be different interpretations of the application of the marking guidelines.

QUESTION 1 ASSET MANAGEMENT & VAT

Refer to the information relating to Kench Wrench.

This question consists of three parts: 1A, 1B and 1C.

QUESTION 1A INVENTORY SYSTEMS

1.1 Determine the rand value of the closing stock as at 31 August 2022.

1.1.1 Calculate the number of sets on hand.

+ 800 + 2 100 – 40 – 1 645 = 1 215

= Function & Amount / offset

1.1.2 Calculate the weighted average of one set of spanners.

$$\frac{1\,200\,000}{800} + \frac{3\,130\,000}{2\,100} - \frac{72\,000}{40} + 17\,700 = \frac{4\,275\,700}{2\,860}$$

R1 495
= Function & Amount
= Rands / Units (40 × 1 800 = 72 000)

1.1.3 Calculate the rand value of the closing stock.

1 215 1.1.1 answer × 1 495 1.1.2 answer = R1 816 425 1.1.1 × 1.1.2

1.2 The owner, Shannon has been advised that she should insure her stock for the highest possible value. Calculate the rand value of the closing stock if she was to use the FIFO (first in first out) valuation method.

500	× 1 900	=	950 000
			17 700
600 – 40 = 560	× 1 800	=	1 008 000
155 = 1 215 from 1.1.1	× 1 100	=	170 500
			2 146 200 Fifo closing stock method

1.3 Shannon has noticed that the price of spanners has increased significantly during the year. Referring to the November and the June purchase price, determine the percentage increase and provide a realistic explanation for the significant increase.

$(1\,900 - 1\,100) = \frac{800}{1\,100} \times \frac{100}{1}$

= 72,73% must be correct for 2 marks (divided by 1 100)

Imported – bought at dollar/euro price weakening rand
Increase in fuel and transport costs (War in Ukraine)
Shortage in supply increase in demand

Price increase to cover losses; is unable to import/export during lockdowns.
[NOTE: 72% is too high for inflation] – less 10%
[NOTE: Supplier margins would lose customers unless monopoly)]

1.4 Determine what the selling price of one set of spanners would need to be if the business was to make a **gross profit** of R1 057 500 after marking their stock up by 40% on the cost price.

1 057 500 × 140 / 40 = 3 701 250* / 1 645 = R2 250 no foreign / additional

*1 057 500 × 100 / 40 = 2 643 750 × 1,40

QUESTION 1B VAT

VAT is calculated at 15%

1.5 Analyse the extracted transactions and their effect on the amount owing to SARS for VAT as per the table below.

	Calculation	VAT Amount	Amount owing to SARS
e.g.		R28 110	Increase
1	4 700 × 15/100	705	Increase
2	327 750 × 5/95 = 17 250 × 15/115	2 250	Increase
3	1 250 × 1,60 = 2 000 – 7% (x93/100) (140) – 1 860 × 15%	279	Decrease

QUESTION 1C FIXED ASSETS (18 marks, 10 minutes)

1.6 Calculate the cost price of the new equipment that was purchased on 1 February 2022.

420 000 – 80 000 – 600 000 = 260 000 no foreign / incorrect sign or missing figure

= Function & Amount / offset

1.7 Calculate the deprecation on the new equipment that was purchased on 1 February 2022.

260 000 from 1.5 × 12% × 7/12 = 18 200

1.8 Calculate the profit or loss that was made on the sale of the asset on 30 April 2022. Indicate if it was a profit or loss.

30 900 – 2 472 from below – 45 000 = 16 572
or
80 000 – (49 100 + 2 472) – 45 000 = 16 572

Accept "Loss" based on depreciation calculation

Profit on Sale of Equipment X	Loss on Sale of Equipment

Calculation space for depreciation on the sold equipment

80 000 – 49 100 = 30 900 × 12% × 8/12 = 2 472

1.9 Calculate the depreciation for the year on the remaining equipment.

420 000 – 80 000 = 340 000
185 000* – 49 100 = 135 900
235 000 – 30 900 = 204 100 × 12% = 24 492 book value @ 12%

= Function & Amount / offset

QUESTION 2 COMPANY FINANCIAL STATEMENTS (63 marks; 39 minutes)

Refer to the information relating to Ruby Robotics Limited.

CALCULATION PAGE

Should you wish to use this space for calculations – please clearly label the details of the amount you are working out. All final amounts must be transferred correctly to the final question.

Number of shares	Rent
2 500 000 × 70% = 1 750 000 + 500 000 2 250 000	115 500 / 11 = 10 500
Income tax	
990 000 + 400 000 + 65 000 = 1 455 000	
Trading stock deficit	****Accept Alternative (Handling Fee)**
(2 467 000 – 20 000 – 24 000 – 22 000 from Exp (43 000 – 21 000) – 2 364 000 = 37 000)	(2 467 000 – 20 000 – **22 800** – 22 000 from Exp – 2 364 000 = **38 200**) **Handling fee is included as a stock expense**

2.1 Complete the Statement of Comprehensive Income (Income Statement) of Ruby Robotics Limited for the year ending 28 February 2022.

Sales (14 500 700 – 270 200)	14 230 500
Cost of sales	(5 692 200) bracket
Gross profit (14 230 500 × 60% Sales × 60%)	8 538 300 GP > CoS
Operating incomes	Do not calculate
Commission income (49 500 – 8 200 – 9 500)	31 800
Discount received	84 000
Sundry income	74 000
Operating expenses	Do not calculate
Water & electricity (36 400 – 2 800)	33 600
Insurance (38 680	38 680
Rent expense (115 500 + 10 500) (4 000 + 6 500)	126 000
Bad debts (9 200 + (16 000 – 10 400 =) 5 600	14 800 if +
Packing material (27 000 – 2 200)	24 800
Director's fees	60 000
Discount allowed	51 000
Depreciation	89 500
Auditor's fees	38 400
Salaries & wages	3 250 000
Repairs (12 500 – 4 000)	8 500
Loss due to theft (6 000 + (20 000 – 17 000 = 3 000 (20 000 × 15%)	9 000 if cash + stock
Handling / returns fee	1 200
Provision for bad debts adjustment (176 000 – 184 020 from P4BD)	8 020
Revaluation of stock (43 000 – 21 000)	22 000
Trading stock deficit (2 467 000 – 20 000 – 24 000 – 22 000 from Exp – 2 364 000)	37 000 **Alt. **38 200
Operating Profit	Do not calculate
Interest income	20 000
Interest expense	(70 000)
Net profit before taxation	Do not calculate
Taxation for the year (990 000 + 400 000 + 65 000)	(1 455 000) bracket
Net profit after taxation	Do not calculate

= Function & Amount / offset

2.2 Complete the following notes to the financial statements as at 28 February 2022.

2.2.1 **Trade & Other Receivables**

Net trade debtors	5 949 980 subtract
Debtors control (6 150 000 – 16 000)	6 134 000 subtract
Less: Provision for bad debts (6 134 000 × 3%)	(184 020) bracket
Accrued income (8 200 – 8 200) + 17 000	17 000
*Prepaid expenses	2 800
= Function & Amount	Do not calculate

2.2.2 **Cash & Cash Equivalents**

Cash float (10 000 – 6 000)	4 000
Petty cash	3 000
Fixed Deposit (Maturing)	50 000
= Function & Amount	Do not calculate

2.2.3 **Trade & Other Payables**

Trade creditors (9 270 000 – (24 000 – 1 200))	9 247 200
Bank overdraft (* 75 000 – 10 400 + 400 000) *accept offsetting (if – 75 000….)	464 600
*Accrued expenses (10 500 – 4 000)	6 500
*Income received in advance	9 500
*SARS (Income tax)	65 000
*Shareholders for Dividends (0,16 × (1 750 000 + 500 000)	360 000 share no/ calculation error
= Function & Amount	Do not calculate

QUESTION 3 CASH FLOW STATEMENTS (45 marks, 27 minutes)

Refer to the information relating to Jessica Jewels Ltd.

3.1 3.1.1 Complete Note 1: Reconciliation between profit before taxation and cash generated from operations.

Net profit before taxation (5 915 000 × 100/70)	8 450 000
Adjustments for:	
Depreciation	232 500 total
Interest Expense	1 125 000 total
Operating profit before changes in working capital	9 807 500
Changes in Working Capital	5 270 000 totalling
~~*Increase/*~~Decrease in inventory link to bracket use	8 000 000
*Increase/~~*Decrease~~ in receivables link to bracket use (7 320 000 – 8 520 000)	(1 200 000) amount
~~*Increase/*~~Decrease in payables link to bracket use	(1 530 000) no foreign
Cash generated from operations	**Do not calculate**

**Delete that which does not apply or circle the correct movement.*

3.1.2 Calculate the following Note 1 amounts in the space provided below:

Depreciation (5)
1 550 000 + 300 000 – 150 000 – 1 467 500 = 232 500
Interest on loan (4)
2 625 000 + 12 500 000 – 12 000 000 – 2 000 000 = 1 125 000
Changes in payables (3)
14 600 000 – 12 900 000 70 000 90 000 300 000 450 000 14 970 000 13 440 000 = 1 530 000

= Function & Amount

3.2 Complete the following extract of the Cash Flow Statement for the year ended 28 February 2022.

Cash flow from investing activities	(370 000) brackets totalling
Purchase of fixed assets	(300 000)
Proceeds from sale of fixed assets	150 000
Increase in investments (300 000 – 520 000)	(220 000) brackets

3.3 3.3.1 Calculate the weighted average share price at the time of the repurchase of the shares.

$$\frac{30\ 000\ 000}{4\ 000\ 000} + \frac{6\ 720\ 000}{800\ 000} = \frac{36\ 720\ 000}{4\ 800\ 000}$$

= R7,65
= Rands / Shares

3.3.2 Calculate the amount of profit that was retained after taxation and dividends by completing the retained income account. Ignore dates and folio references.

Retained Income B2			
Bank	157 500	Balance	1 650 000
8,70 – 7,65 from 3.3.1 = 1,05 × 150 000	Mark as calculation	Appropriation Account	1 910 000
Balance	3 402 500		
	3 560 000		**3 560 000**
		Balance	3 402 500

3.3.3 Calculate the dividends paid as it would appear on the Cash Flow Statement for the year ended 28 February 2022.

(8 450 000 – 2 535 000) = 5 915 000 – 1 910 000 from 3.3.2
= 4 005 000
+ 1 800 000 – 2 325 000 = 3 480 000 totalling

QUESTION 4 MANUFACTURING (40 marks, 24 minutes)

Refer to the information relating to Kudawashe Cheese.

4.1 Complete the following notes to the production cost statement for the year ended 28 February 2022:

4.1.1 Raw materials

Opening balance	143 000
Purchases (146 250 + 78 750 = 225 000 – 16 000*)	209 000
Carriage on Purchases (1 250 × 12)	15 000
Less Closing Stock	(151 000)
Raw materials used in the production process	216 000 No foreign

4.1.2 Factory overheads

Indirect materials (27 000 + 62 000 – 19 000) × 90%	63 000 incl balances
Indirect labour (432 000 / 3)	144 000
Rent expense (110 390 – 9 130) × 600/800	75 945
Water & electricity (35 200 × 70%)	24 640
Insurance (48 950 + 4 450) × 50%	26 700
Security (15 960 × 3/4)	11 970
	Do not calculate

4.2 Calculate the cost of the direct labour for the year ended 28 February 2022.

4 × { (8 000 × 12 = 96 000) + 8% of gross = 7 680 + (500 × 12 = 6 000) }
= 438 720 salary cost

4.3 The cost of production reflected on the production cost statement for the year was R1 013 784. Calculate the cost of sales for the year ended 28 February 2022.

96 216 + 1 013 784 – 124 200 – 7 800 = 978 000 no foreign

4.4 Explain why the work-in-progress balances are so low compared to the raw materials and the finished goods.

Raw materials are perishable – production process must finish the run or half completed cheese will be contaminated – the WIP on the line could be the cheese wrappers and indirect materials
WIP – quick – perishable
Raw Material / Finished Good – last longer (i.e. cheese)

CALCULATION SPACE

Should you wish to use this space for calculations – please clearly label the details of the amount you are working out. All final amounts must be transferred correctly to the final question.

Raw materials purchased	
146 250 + 78 750 = 225 000 – 16 000^	
Rent expense	
110 390 = 10x + 3 (1.1x) 8 300 = x 9 130 = x + 10% 110 390 – 9130 = 101 260 × 600/800 = 74 945 if -	

Total: 200 marks