



NATIONAL SENIOR CERTIFICATE EXAMINATION
MAY 2024

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 INVENTORIES & VAT

Refer to the information relating to Shah Soda.

This question consists of two parts: 1A and 1B.

QUESTION 1A VAT

VAT is calculated at 15%

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

	Calculation	VAT Amount	Effect on the amount owing to SARS
	Balance on 1 February 2023	R7 500 (cr)	
1	$13\,000 \times \frac{15}{100}$	1 950	Decrease
2	$6\,440 \times 7\frac{1}{2}\% = 483 \times \frac{15}{115}$	63	Increase
3		360	Increase
4	$3\,680 \times \frac{15}{115}$	480	Decrease

QUESTION 1B INVENTORY SYSTEMS

1.2 Calculate the weighted average of one unit of cold drink for the year ended 28 February 2023.

$$\frac{1\,400\,000}{350\,000} + \frac{5\,575\,000}{1\,550\,000} - \frac{105\,000 *}{35\,000} + 30\,500 = \frac{6\,900\,500}{1\,865\,000}$$

= R3,70

*35 000 × 3 = 105 000

1.3 Calculate the number of bottles of cold drink that were given to the employees.

$$350\,000 + 1\,550\,000 - 35\,000 - 275\,000 = 1\,575\,000 + x$$

$$= 15\,000 \text{ bottles}$$

1.4 Complete the Trading Statement for the sales of **cold drinks only** for the year ended 28 February 2023.

Sales (1 575 000 × 9)	14 175 000
Cost of sales	(5 827 500)
Opening stock	1 400 000
Purchases (5 575 000 – 55 500 [15 000 × 3,70])	5 519 500
Less Returns <small>may be offset vs purchases</small>	(105 000)
Carriage on Purchases	30 500
Closing stock (275 000 × 3,70)	(1 017 500)
Gross profit	Do not calculate

1.5 Calculate the cost of sales for the **blocks of ice** for the year ended 28 February 2023:

$$(300 + 1\,200 - 250 - 100 = 1\,150)$$

$$300 \times 9 = 2\,700$$

$$400 \times 8 = 3\,200$$

$$800 - 250 - 100 = 450 \times 7 = 3\,150$$

$$= 9\,050$$

Or

$$2\,700 + 8\,800 - (1\,750 + 700 [(250 + 100) \times 7]) = 9\,050$$

1.6 The owner has received a quote of R4 800 to repair the freezer. Explain why it would be profitable for the business to repair the freezer when the value of the ice that melted was less than R1 000. Use figures to support your answer.

$$\text{Sold } 1\,150 \times R30 = R34\,500$$

$$\text{Less cost} = R9\,050 ; \text{ Less loss} = R700 (R1\,000) ; \text{ Less repairs} = R4\,800$$

still made R19 550 (cost R9, profit (19 550 / 1 150 = R17) almost 200%

Conclusion: Profitable – continue to sell or
 Turnover on ice (R34 500) vs turnover on cold drinks (R14 175 000) – not worthwhile, however, could be a value-added customer service

QUESTION 2 COMPANY FINANCIAL STATEMENTS

Refer to the information relating to Mkhize Motors Ltd.

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.

Trading stock deficit	Consumable stores
695 000 – 6 200 – 2 500 – 672 000	1 250 + 45 700 – 2 250 – 1 960
= 14 300	= 42 740
Depreciation	
1 160 000 – 935 000 = 225 000	< 1 160 000 × 20% = 232 000
Thus 224 999 accept 225 000	
Rent income	
89 200 = 8x + 3 (1,05x)	
= 11,15x	
8 000 = x	
8 400 = x + 5%	
Weighted average share price	
$\frac{37\,440\,000 + 8\,960\,000}{4\,800\,000 + 1\,000\,000} = \frac{46\,400\,000}{5\,800\,000} = R8,00$	
(1 000 000 × 8,96)	
Donations	
12 400 × 100 / 200 = 6 200	

- 2.1 Complete the Statement of Comprehensive Income (Income Statement) of Mkhize Motors Ltd for the year ending 28 February 2023.

Sales (15 900 000 – 420 000 + 7 500)	15 487 500
Cost of sales (5 300 000 + 2 500)	(5 302 500)
Gross profit	10 185 000
Operating incomes	Do not calculate
Fee income (372 600 – 2 800)	369 800
Rent income (89 200 + 8 400)	97 600
Discount received (38 500 – 800)	37 700
Bad debts recovered	7 000
Provision for bad debts adjustments (23 500 – 22 736)	764
Operating expenses	Do not calculate
Consumable stores (1 250 + 45 700 – 2 250 – 1 960)	42 740
Water & electricity (79 400 + 7 200)	86 600
Advertising (516 000 + 32 000)	548 000
Bank charges (4 290 + 390)	4 680
Bad debts (45 200 + 5 280) (9 600 × 55/100)	50 480
Insurance	62 400
Sundry expenses	Do not calculate
Salaries & wages	1 086 000
Employers contributions	97 740
Discount allowed	23 850
Donations	6 200
Trading stock deficit	14 300
Depreciation	224 999
Operating Profit	Do not calculate
Interest income (16 400 + 450)	16 850
Interest expense (23 040)	(23 040)
Net profit before taxation	2 004 000
Taxation for the year (586 300 + 14 900)	(601 200)
Net profit after taxation	1 402 800

2.2 Complete the following notes to the financial statements as at 28 February 2023.

2.2.1 **Trade & Other Receivables**

Net trade debtors	545 664
Debtors control (578 000 – 9 600)	568 400
Less: Provision for bad debts (568 400 × 4%)	(22 736)
Accrued income	8 400
Prepaid expenses	2 250
	Do not calculate

2.2.2 **Retained Income / Accumulated Profits**

Balance at beginning of the year	16 420 000
Net profit AFTER taxation	1 402 800
Repurchase of shares (250 000 × [9,95 – 8 =] 1,95)	(487 500)
Ordinary share dividends	(1 972 000)
*Paid	928 000
*Declared (5 800 000 × 0,18)	1 044 000
Balance at the end of the year	Do not calculate

2.2.3 **Trade & Other Payables**

Trade creditors (714 000 + (8 000 [7 200 + 800]))	722 000
Income received in advance	2 800
Accrued expenses (7 200 + (32 000 – 7 500))	31 700
Shareholders for dividends	1 044 000
Deposit: Rent income	9 000
Short-term loan instalment	24 000
SARS (Income tax)	14 900
	Do not calculate

QUESTION 3 CASH FLOW STATEMENTS

Refer to the information relating to Lenola Leads Ltd.

3.1 3.1.1 Calculate the following figures for note 1, and those relating to operating activities.

Net profit after tax	
$\frac{X}{4\,600\,000} = 7$	
= 32 200 000	
Inventories	
1,15 – 0,75: 1 = 0,4 × 964 000 = 385 600 – 679 000	
Trade and other payables	
780 400 – 450 700	Or 1 287 000 – 964 000
16 000 17 000	- 9 300 14 100
<u>21 600 23 800</u>	- 39 700
818 000 491 500	- 21 400
= 326 500	- 420 000 437 000

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

Net profit before taxation (32 200 000 × 100 /70)	46 000 000
Adjustments for:	
Depreciation	345 000
Interest expense	63 400
Operating profit before changes in working capital	46 408 400
Changes in Working Capital	(54 300)
Increase/ Decrease in inventory	293 400
*Increase/ *Decrease in receivables	(21 200)
Increase/ Decrease in payables	(326 500)
Cash generated from operations	Do not calculate

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

3.1.3 Calculate the following amounts as they would appear in the **operating activities section** of the Cash Flow Statement for the year ended 28 February 2023.

(a) Interest paid

$$9\ 300 + 63\ 400 - 14\ 100 = 58\ 600$$

(b) Dividends paid

$$420\ 000 + (4\ 600\ 000 \times 0,08 = 368\ 000) = 788\ 000$$

OR

$$420\ 000 + 368\ 000 = 788\ 000$$

(c) Taxation paid

$$- 15\ 900 + 13\ 800\ 000 - 21\ 400$$

$$= 13\ 762\ 700$$

3.2 Complete the **investing activities section** of the Cash Flow Statement for the year ended 28 February 2023.

Cash flow from investing activities	(400 000)
Purchase of fixed assets	(1 003 000)
Proceeds from the sale of fixed assets	373 000
Decrease in investments (480 000 – 250 000)	230 000

Calculations for investing activities

Fixed assets (book value)

$$2\ 652\ 000 + x = 373\ 000 + 345\ 000 + 2\ 937\ 000$$

$$= 1\ 003\ 000$$

3.3 Calculate the net change in cash and cash equivalents for the year ended 28 February 2023. Indicate if it is an inflow or outflow of cash.

$(4\ 300 - 39\ 700) = - 35\ 400$ $- 103\ 000$ $= 138\ 400$	
Inflow	Outflow

QUESTION 4 MANUFACTURING

Refer to the information relating to Caplan Carpets.

PART A FIXED ASSETS

- 4.1 Calculate the following amount in the space provided below.
Please note that the final amount must be transferred correctly to the note below.

Depreciation on remaining (old) equipment.

1 356 400 – ([380 000 – {149 045 – 36 045 = 113 000}] = 267 000)
= 1 089 400 × 18% = 196 092

Or

2 460 000 – 1 103 600
-380 000 - 113 000

- 4.2 Complete the fixed asset note as it would appear in the financial statements for the year ended 28 February 2023.

	EQUIPMENT
Carrying value on 1 March 2022	1 356 400
Cost Price	2 460 000
Accumulated depreciation	(1 103 600)
Movement	Do not calculate
Additions	600 000
Disposals (380 000 – 149 045)	(230 955)
Depreciation (36 045 + 27 000* + 196 092)	(259 137)
Carrying value on 28 February 2023	Do not calculate
Cost Price (2 460 000 + 600 000 – 380 000)	2 680 000
Accumulated depreciation	Do not calculate

*600 000 × 18% × 3/12

PART B MANUFACTURING

4.3 Complete the Production Cost Statement for the year ended 28 February 2023:

Direct (prime) costs	21 074 940
Direct (raw) materials	19 010 000
Direct labour	2 064 940
Factory overheads	1 475 060
Total manufacturing costs	22 550 000
*Work-in-progress at the beginning of the year	3 260 000
*Work-in-progress at the end of the year	(2 980 000)
Cost of production of finished goods	22 830 000

4.4 Factory overheads

Indirect labour	907 200
Indirect materials $(69\,500 - 72\,600 + 236\,000) \times 85\%$	197 965
Rent expense	672 000
Insurance	66 600
Depreciation	259 137
Sundry factory expenses	Do not calculate
	1 475 060

4.5 Calculate the cost of sales for the year ended 28 February 2023:

$6\,420\,000 - 6\,640\,000 + 22\,830\,000 = 22\,610\,000$

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.

Indirect labour
$604\ 800 \times \frac{100}{72}$ $= 840\ 000 + 8\% (67\ 200)$ $= 907\ 200$
Direct labour
$16 \times 52 \times 1\ 920 = 1\ 597\ 440$ $+ 340\ 000$ $+ 127\ 500$ $= 2\ 064\ 940$
Indirect materials
Rent expense
$8\ 000 \times 3 \times 12 = 288\ 000 \times \frac{700}{300} = 672\ 000$ <p>Or $8\ 000/100 = 80 \times 700 = 56\ 000 \times 12 = 672\ 000$</p> <p>Or $8\ 000 \times 7 \times 12 = 672\ 000$</p> <p>Or $8\ 000 \times 12 = 96\ 000 \times 700/100 = 672\ 000$</p>
Insurance
$120\ 250 (/13) - 9\ 250 = 111\ 000 \times 60\% = 66\ 600$

Total: 200 marks