NATIONAL SENIOR CERTIFICATE EXAMINATION
NOVEMBER 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 Caitlin's Coffee.

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

QUESTION 1A INVENTORY SYSTEMS

Bags of beans – First in First Out (FIFO)

1.1 Calculate the number of bags of beans that were on hand at the end of the financial year, 29 February 2024:

9 000 + 55 000 – 150 – 1 600 – x = 45 000
= 17 250

1.2 **Using the FIFO method** calculate the cost of sales for the bags of beans for the year ended 29 February 2024.

9 000 – 150 = 8 850 × 22 = 194 700
28 000 – 1 600 = 26 400 × 20 = 528 000
9 750 × 18 = 175 500
45 000 898 200

Accept alternative – Periodic calculation:

9 000 × 22 = 198 000 (198000 – 3300) = 194700
\+ 1 144 000 (1144000 – 32000) = 1112000
(28 000 × 20 = 560 000)
(13 000 × 18 = 234 000)
(14 000 × 25 = 350 000)
Less (35 300)
(150 × 22 = 3 300)
(1 600 × 20 = 32 000)
Less (408 500)
(3 250 × 18 = 58 500)
(14 000 × 25 = 350 000)
= 898 200

opening	19800
+ purchases	1144000
– Adv	(3000)
– returns	(32000)
– closing	(408500)
cos	898200

Caitlin is concerned that the value of her stock of beans has increased from R198 000 to R408 500 during the year. She says the risk to her business is that the beans go stale after 6 months and she won't be able to sell the stock.

1.2.1 Calculate the average length of time (number of days stock is on hand) it takes to sell her stock of beans.

$$\frac{½\ (198\,000\ +\ 408\,500)}{898\,200} \times 365$$

= 123.23 days

Accept alternative – unit method:

$$\frac{½\ (9\,000\ +\ 17\,250)}{45\,000} \times 365$$

= 106,45 days

Coffee mugs – Weighted Average

1.4 1.4.1 Calculate the weighted average of one coffee mug.

$$\frac{18\,000}{1\,200} \frac{+\ 264\,000}{+\ 22\,000} \frac{*-\ 32\,500}{-\ 2\,500} \frac{*\ +\ 27\,140}{+\ 100} = \frac{276\,640}{20\,800}$$

= R13,30

(1 200 × 15)

* accept net effect of return
231 500
19 500

1.4.2 Determine the actual percentage markup achieved by the business on **one** coffee mug.

$$\frac{30 - 13{,}30}{13{,}30} \times 100$$

OR $\frac{6000000 - 266000}{(20000 \times 13{,}30)} = \frac{33400}{266000} \times 100$

= 125,56%

= 125.56%

1.5 Briefly explain why the business chose to use the weighted average method to value the coffee mugs.

Homogeneous product; no expiry date; not batch dependent; price fluctuations.

1.6 Explain to the owner how offering a loyalty card that would entitle regular customers to a 10% discount could both be a **financial** advantage and a **financial** disadvantage to the business.

Advantage: Increases sales VOLUMES and thus more gross profit

Disadvantage: Lowers the markup percentage per sale and thus have to sell more or inflate prices to cover it

FINANCIAL reason must affect the bottom line of profit

QUESTION 1B VAT

VAT is calculated at 15%

1.7 Calculate the VAT amount for each of the transactions that were not recorded so that you can determine the correct amount owing to/by SARS for VAT.

Your calculations must clearly indicate the effect (+ or –) of each transaction on the amount owing to SARS.

	Calculation	VAT Amount	Indicate the effect on the SARS amount (increase or decrease)
Incorrect amount owing to SARS			R39 000
1	3 220 × 15/115	420	Decrease (420)
2	2 070 × 15/115	270	Decrease 270
3	80 000 × 20% = 16 000 – 5% = 15 200 × 15 /100	2 280	Increase 2 280
Correct amount of VAT			40 590
*Due by SARS	*Owed to SARS		

**Indicate the correct option*

QUESTION 2 COMPANY FINANCIAL STATEMENTS

Refer to the information relating to Dhlamini Distributors Limited.

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 question.

Trading Stock Deficit
6 450 000 + 16 000 – 25 000 – 45 000 = 6 396 000
Rent Expense (Adjustment 7)
25 500 × 10 = 255 000 +8% (2 040) 27 540 × 2 = 55 080 = 12 months 310 080

Directors Fees

2601000 × 36/34 = 275400
+ 36 – 34
72250 = 76500 × 2
Rec 76500 – 90000
Pay 76500 – 25000

2.1 Complete the Statement of Comprehensive Income (Income Statement) of Dhlamini Distributors Limited for the year ending 29 February 2024.

Sales (18 450 000) – 56 000 – 32 400	18 361 600
Cost of sales (8 200 000) – 16 000	(8 184 000)
Gross profit	**Do not calculate**
Operating incomes	**Do not calculate**
Commission income	62 700
Discount received	186 000
Handling fee	500
Provision for bad debt adjustment	30 500
Profit on sale of asset	5 000
Operating expenses	Do not calculate
Advertising (160 600 + 14 600) × 12/11	175 200
Rent expense	310 080
Bank charges (31 600 + 850)	32 450
Insurance (73 500 + 6 500)	80 000
Directors fees (2 601 000 × 36/34 or + (76 500 × 2))	2 754 000
Packing material (90 000 – 6 300)	83 700
Water & electricity	86 700
Bad debts	183 400
Auditors fees	12 500
Salaries & wages	Do not calculate
Discount allowed	97 200
Trading stock deficit (6 450 000 + 16 000–25 000 – 6 396 000)	45 000
Operating Profit	**Do not calculate**
Interest income (126 000 + 42 000) (126 000 × 1/3)	168 000
Net profit before interest expense	**Do not calculate**
Interest expense	(1 081 300)
Net profit before taxation (2 197 090 + 941 610)	3 138 700
Taxation for the year (1 350 000 – 408 390)	(941 610)
Net profit after taxation	**2 197 090**

260 100 +
(25 000 + 51 500)
(9 000 – 13 500)

2.2 Complete the following notes to the financial statements as of 29 February 2024.

2.2.1 **Trade & Other Receivables**

-2 700

+ 2040

Net trade debtors	Do not calculate
Debtors control (4 920 000 + (52 000 – 25 000) 27 000 – 32 400+ 500 +12 000 + 6000	4 927 100
Less: Provision for bad debts (191 000 – 30 500)	(160 500)
Prepaid expenses (25 500 – 25 500 + 27 540= 27 540) + (13 500 [76 500– 90 000])	41 040
Accrued income	42 000
SARS (Income tax)	408 390
	Do not calculate

2.2.2 **Retained income / Accumulated profits**

1 080 000
(45 000 000 × 0,24)

Balance at the beginning of the year (45 000 000 – 38 730 000)	6 270 000
Net profit after tax	2 197 090
Repurchase of shares (1,70 × 100 000)	(170 000)
Ordinary dividends	(1 804 000)
Paid	700 000
Recommended (4 600 000 × 24c)	1 104 000
Balance at the end of the year	Do not calculate
Calculation space for the repurchase of shares: 38 730 000 + 5 890 000 = 4 4620 000 4 000 000 + 600 000 4 600 000 = 9,70 – 11,40 = 1,70	
Additional calculation space for the retained income/accumulated profit note:	

2.2.3 **Trade & Other Payables**

Trade creditors (15 870 000 + 12 000 [6 000 + 6 000])	15 882 000
Accrued expenses (14 600 51 500 [76 500 – 25 000]) or [+ 153 000 – 76 500 – 25 000]	66 100
Income received in advance (70 000 – 62 700)	7 300
Short-term loan instalment (8 400 000 / 14) x 12/168	600 000
Shareholders for dividends	1 104 000
	Do not calculate

QUESTION 3 CASH FLOW STATEMENTS

Refer to the information relating to Nkosi Neon Ltd.

3.1 Complete the investing activities section as it would appear in the cash flow statement for the year ended 29 February 2024:

Cash flow from investing activities	(2 715 000)
Fixed assets purchased	(2 835 000)
*Sale of fixed assets	420 000
*Increase in investments	(300 000)

2 195 000

Calculation for fixed assets purchased
(10 800 000 + x) = (395 000 [420 000 – 25 000] + 640 000 + 12 600 000)
=R2 835 000

3.2 Calculate the taxation **paid** for the year ended 29 February 2024.

11 000 + 18 000 + x = 699 000
= R670 000
(2 330 000 × 30%) or (2 330 000 – 1 631 000) or (1 631 000 × 30/70)

3.3 Calculate the **total dividends** (interim and final) for the year ended 29 February 2024.

(800 000 + 510 000 – 420 000)
= R890 000

Fixed Assets		SARS (incl Tax)		Shareholders & Dividends	
10800000	395000 (42000 – 2500)	11000		800000	
2835000	640000	670000	699000 (–1631000 × 30/70		42000 89000
	12600000				
		18000			

3.4 Complete the loan account as it would appear in the general ledger for the year ended 29 February 2024: (no dates or folio numbers are required)

Loan: Kat Bank B6			
Bank (95 000 × 12)	1 140 000	Balance b/d	6 500 000
		Bank	1 800 000
		Interest on loan	740 000
Balance c/d	7 900 000		
	9 040 000		9 040 000
		Balance b/d	7 900 000

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

Net profit before taxation (1 631 000 × 100/70)	2 330 000
Adjustments for:	
Profit on sale of asset	(25 000)
Depreciation	640 000
Interest Expense	740 000
Operating profit before changes in working capital	3 685 000
Changes in Working Capital	(60 000)
Increase in inventory	(675 000)
~~*Increase/~~***Decrease** in receivables	154 000
***Increase**/~~*Decrease~~ in payables (3 640 000 – 4 105 000 = 465 000 31 000 – 24 000 = (7 000) 9 000 – 12 000 = 3 000 Accept part combinations of above and total 3 680 000 – 4 410 000 = 461 000	461 000
Cash generated from operations	**Do not calculate**

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

3.6 Determine the cash movement for the year and indicate if it was an inflow or outflow of cash.

(126 000 + 7 000) = 133 000 (–84 000 + 10 000) = 74 000 = 207 000 210000 ~~Inflow~~ / Outflow

QUESTION 4 MANUFACTURING

Refer to the information relating to Caragh Cables Ltd.

PART A FIXED ASSETS

4.1 Complete the extract of the fixed asset note for the year ended 29 February 2024 by filling in all the relevant amounts indicated by the asterisk (*).

		Delivery Vehicles	
Carrying value on 1 March 2023		430 000*	
Cost Price		940 000	
Accumulated depreciation		(510 000)	
Movement		**Do not calculate**	
Additions at cost	A	440 000 *	(103 200)
Disposals at carrying value		(34 000)	
Depreciation (78 000 + 24 000 incl	B	(102 000) *	(327 200)
Carrying value on 29 February 2024		**Do not calculate**	
Cost Price		1 060 000	
Accumulated depreciation	C	(326 000) *	

cc

Calculation space for the fixed asset note:

940 000 – 510 000 = 430 000
320 000 – 280 000 – 4000
620 000 230 000 390 000 × 20? 78000

A	Additions at cost 940 000 + X = 320 000 + 1 060 000 = 440 000
B	Depreciation on the remaining (old) vehicles 79200 430 000 – 40 000 = 390 000 × 20% = 78 000
C	Accumulated Depreciation on 29 February 2024 510 000 + 102 000= 286 000 + x = 326 000 **or** 430 000 + 304 000 (440 000 – 34 000 – 102 000) – 1 060 000 = 326 000

Vehicles		Acc Dep on Veh	
940000	320000	286000	51000
440000	1060000	326000	102000 (78000 + 24000)

PART B MANUFACTURING

4.2 Production cost statement notes

4.2.1 Complete the raw materials note for the year ended 29 February 2024:

Raw Materials	
Opening stock	875 000
Purchases (3 140 000 – 65 000)	3 075 000
Wastage & Loss (10 000 + 15 000) Accept if either or both are deducted from purchases	(25 000)
Carriage on purchases	8 000
Closing stock	(914 000)
	Do not calculate

4.2.2 Complete the factory overheads note for the year ended 29 February 2024:

Factory Overheads	
Indirect labour	737 400
Consumable stores (14 800 + 45 000 – 17 400) × 90%	38 160
Depreciation (47 1000 × 2)	94 200
Sundry expenses (57 200 × 12/11) (+ 5 200) × 50%	31 200
Water & electricity	81 312
Insurance (31 200 × 5/3) 124800 × 5/12	52 000
Security costs (149 500 × 900/1 300)	103 500
Stock loss (10 000 – 8 000)	2 000
Wastage	15 000
	Do not calculate

Calculation space for indirect labour	
34 400 + 3 000 = 37 400 × 100/68 = 55 000 + 6 450 = 61 450 × 12 = 737 400	66000 + 77400 = 737400 – 23? 36000 × 12 412800

4.3 Calculate the total cost of production for the year ended 29 February 2024:

569 000 + x = 435 000 + 1 900 000 (2 850 00 × 100/150)
= 1 766 000

Finished Goods	
% 569000	Cos 1900000 (2850000 x 100/150)
TPC 1766000	% 43500

Total: 200 marks