



NATIONAL SENIOR CERTIFICATE EXAMINATION
MAY 2021

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 INVENTORY AND VAT**[25 minutes]****PART A**

- 1.1 Calculate the value per skateboard on 1 July 2018.

$$120\,000 / 60 = R2\,000$$

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

$$\begin{aligned} 60 + 630 - 5 - 450 &= 235 \\ 180 \times R2\,100 &= R378\,000 \\ 55 \times R2\,250 &= R123\,750 \\ R501\,750 \end{aligned}$$

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

Opening stock	120 000
Purchases (1 303 000 – 11 250)	1 291 750
Closing stock	(501 750)
Cost of sales	910 000

- 1.3.2 Calculate the Gross profit on 30 June 2019

Sales (450 × 3 375)	1 518 750
Cost of sales	(910 000)
Gross profit (if use perpetual 7/9)	608 750

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

$$(1\,518\,750 - 910\,000 \text{ (bring down COS from 1.3)}) / 910\,000 \times 100 = 66,9\%$$

OR

$$608\,750 / 910\,000 \text{ (bring down COS from 1.3) } \% = 66,9\%$$

- 1.5 Calculate the rate of stock turnover.

$$\begin{aligned} &\frac{910\,000}{\frac{1}{2}(120\,000 + 501\,750)} \\ &910\,000 / 310\,875 \\ &= 2,93 \text{ times} \end{aligned}$$

- 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.

- Stock is only valued at the end of the year, either method could be used; attach specific prices – period vs perpetual.
FIFO is more precise and has up-to-date values.
Paying less tax should not be a deciding factor.
- Get clearance from SARS to make the change.
Stick to the same method so that you can compare with previous figures.
- Weighted average – as the price fluctuates.

PART B

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

A VAT vendor is a business that is registered with SARS and has a VAT Registration Number.

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

Payment-based or Receipt-based

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

Password/login details/username and password

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

Zero-rated items carry a 0% VAT rate; this can be changed at any time by the minister of finance. It is to help indigent communities.

VAT-exempt items are exempt from VAT by an Act of Parliament.

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

Due from SARS:		Due to SARS:
1 300		1 440
10 200		1 020
12 150		3
1 755		12 000
		13 500

VAT: Payable to / Receivable from SARS: 2 558

QUESTION 2 CASH FLOW STATEMENT**[35 minutes]**

2.1 Prepare the Asset disposal Account on 31 December 2018 in the General Ledger.

ASSET DISPOSAL									
Dec	31	Equipment	GJ	80 000	Dec	31	Accumulated Depreciation on equipment	GJ	30 000
							Bank		50 000
				80 000					80 000

Calculation of accumulated depreciation:

$$2016-2017 = 80\,000 \times 15 / 100 = 12\,000$$

$$2017-2018 = 80\,000 \times 15 / 100 = 12\,000$$

$$2018: \text{July-December} = 80\,000 \times 15 / 100 \times 6 / 12 = 6\,000$$

$$80\,000 \times 15 / 100 \times 30 / 12 = 30\,000$$

2.2 Complete the note for Tangible Assets on 30 June 2019.

FIXED (TANGIBLE) ASSETS	Land and buildings	Equipment
	R	R
Carrying value at the beginning of the year	8 278 000	330 000
Cost	8 278 000	600 000
Accumulated depreciation	0	(270 000)
Movements	Do not calculate	Do not calculate
Additions at cost	0	320 000
Disposals at carrying value	(2 750 000)	(50 000)
Depreciation		(104 000)
Carrying value at the end of the year	Do not calculate	Do not calculate
Cost	5 528 000	840 000
Accumulated depreciation		(344 000)

Calculation for depreciation

Old = $600\,000 - 80\,000 = 520\,000 \times 15 / 100 = 78\,000$

Sold = 6 000

New = $320\,000 \times 15 / 100 \times 5 / 12 = 20\,000$

Calculation for accumulated depreciation

270 000 + 104 000 From Note – 30 000 (from Ledger A/C)

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

Interest calculation

$1\,300\,000 \times 16 / 100 \times 9 / 12 = 156\,000$

$560\,000 \times 16 / 100 \times 3 / 12 = 22\,400 = \text{R}178\,400$

Taxation calculation

$434\,000 \times 100 / 70 = 620\,000 \times 30 / 100 = 186\,000$

or $434\,000 \times 30 / 70 = 186\,000$

$186\,000 - 12\,800 - 18\,000 = 155\,200$

CASH FLOW STATEMENT FOR THE YEAR ENDED 30 JUNE 2019		
Cash flow from operating activities		654 400
Cash generated from operations		1 140 800
Interest paid (1)		(178 400)
Dividends paid		(152 800)
Income tax paid (2) (186 000 – 12 800 – 18 000)		(155 200)
Cash flow from investing activities		2 480 000
Fixed assets purchased		(320 000)
Sale of fixed assets (50 000 + 2 750 000)		2 800 000
Cash flow from financing activities		(404 000)
Proceeds from the issue of shares		336 000
Long term loan		(740 000)
Net change in cash and cash equivalents		2 730 400
Cash and cash equivalents – beginning of the year		(2 590 000)
Cash and cash equivalents – end of the year		140 400

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

Calculation:

$$560\,000 : 5\,507\,600 \\ = 0,10 : 1$$

Comment:

The equity ratio improved from 0,3 : 1 to 0,1 : 1. The company is financed mainly through equity. Shares issued and the loan was paid off. Low risk.

- 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.	Sold fixed assets, buildings that may not have been used and were not generating return. Sold R2 750 000.
B.	Repaid the loan of R740 000
C.	Shares were issued to the value of R336 000

QUESTION 3 COMPANIES**[40 minutes]****PART A**

3.1 Prepare the ordinary share capital note.

		R
3 040 000	Ordinary shares on 1 March 2018	14 592 000
(120 000)	Repurchase of shares (R4,80)	(576 000)
450 000	Ordinary shares issued @ R7	3 150 000
3 370 000	Ordinary shares on 28 February 2019	17 166 000

3.2 Calculate the retained income figure for 2019.

$304\,000 + 2\,182\,400 - (0.40 \times 120\,000)$ $304\,000 + 2\,012\,800 - 48\,000 - 1\,482\,800 = 786\,000$

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 – 1 900)		4 688 500
Cost of sales (3 752 320 – 1 520)		(3 750 800)
Gross profit		Do not calculate
Other income		Do not calculate
Profit on sale of asset		12 500
Provision for bad debts adjustment (3 220 – 2 995)		225
Gross operating profit		Do not calculate
Operating expenses		Do not calculate
Sundry expenses		31 000
Bank charges		4 900
Audit fees (41 480 + 10 370) or $41\,480 \times 100/80$		51 850
Directors fees (576 000 + 576 000 + 144 000) or $15 \times 48\,000$		1 296 000
Salaries and wages		528 085
Employer contributions		108 000
Rent expense (63 360 – 5 280)		58 080
Bad debts (3 620 + 720)		4 340
Depreciation (18 210 + 81 400 + 18 500 + 3 000)		121 110
Trading stock deficit (145 000 – (82 000 + 48 870) – (5 430 + 4 100))		23 660
Donations (5 430 + 4 100)		9 530
Operating profit		Do not calculate
Interest income		42 000
Profit before interest expense		765 400
Interest expense		(40 800)
Net profit before tax		724 600
Income tax for the year (175 000 + 42 500)		(217 500)
Net profit after tax		Do not calculate

Rent expense calculation

$$63\,360 \times 12,10/13,20 = 58\,080$$

OR

$$63\,360 \times 110/1320 = 5\,280, 63\,360 - 5\,280 = 58\,080$$

Depreciation on equipment calculation

$$(616\,000 - 90\,000) - 341\,000 = 185\,000 \times 10\% = 18\,500$$

$$90\,000 \times 10\% \times 4/12 = 3\,000$$

3.4

TRADE AND OTHER PAYABLES	
Creditors (49 320 – 1 520)	47 800
Shareholders for dividends (490 000 × ,07)	34 300
SARS: PAYE	19 200
UIF	2 900
Current portion of the loan: Nedbank (365 000 × ,20)	73 000
Accrued expenses (10 370 + 576 000 + 144 000)	730 370
SARS: income tax (175 000 – 217 500)	42 500
	Do not calculate

QUESTION 4 MANUFACTURING**[20 minutes]**

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

$$\begin{aligned}
 &17\,450 + 138\,830 + 4\,240 + 840 - (15\,250 + 2\,080 - 2\,800) \\
 &161\,360 - 14\,530 \\
 &= R146\,830
 \end{aligned}$$

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

$$169\,000 + 1\,690 + 9\,600 + 96 + 2\,880 = R183\,266$$

4.3 Complete the note for factory overhead costs.

Consumables used in the factory (1 060 + 4 566 – 1 540)	4 086
Salary: Foreman	288 000
Water and electricity (26 400 + 2 400) / 5 × 2	11 520
Factory sundry expenses (46 900 × 80%)	37 520
	341 126

4.4 Production Cost Statement

Prime cost	330 096
Direct material costs	146 830
Direct labour costs	183 266
Factory overhead costs	341 126
Total manufacturing costs	671 222
Work in progress (opening balance)	115 556
	786 778
Work in progress closing balance	(29 978)
Total cost of production of finished goods	756 800

Calculation of total cost of finished goods

$$\begin{aligned}
 &105 \times 10\,800 = 1\,134\,000 \times 100 / 150 = 756\,000 \\
 &6\,360 + 756\,000 - 5\,560 = 756\,800
 \end{aligned}$$

Total: 200 marks