NATIONAL SENIOR CERTIFICATE EXAMINATION
MAY 2021

ACCOUNTING: PAPER I

Time: 2 hours 200 marks

INFORMATION BOOKLET

QUESTION 1 INVENTORY AND VAT [43 marks; 25 minutes]

PART A

Pro Model Skateboards sells one type of skateboard to local stores. It uses the FIFO method of stock valuation and the periodic inventory system. The business is owned by Jean-Marc Johannes.

INFORMATION

The information below appeared in the records of Pro Model Skateboards for the year ended 30 June 2019. The business uses a fixed selling price of R3 375 per unit.

	Number of Units	Value per Unit	Total Value
		R	R
Skateboards on hand on 1 July 2018	60	?	120 000
Skateboards bought during the year	630		1 303 000
September 2018	250	1 900	475 000
January 2019	200	2 250	450 000
May 2019	180	2 100	378 000
Skateboards returned from January 2019	5	?	?
Skateboards sold during the year	450	?	?
Skateboards on hand on 30 June 2019	?	?	?

PART B

Marvellous Marvin Music Mania has supplied you with the following information and has asked you to complete the VAT table to determine the VAT amount **payable to/ receivable from** SARS. VAT is calculated on the invoice basis. VAT is calculated at 15%.

Marvellous Marvin Music uses a mark-up of 25% on cost.

INFORMATION

1. The balance on the VAT control account on 1 June 2018 was R1 300. This VAT was owed to Marvellous Marvin Music Mania.
2. The total of the credit purchases of trading stock was R78 200, inclusive of VAT.
3. The owner, Marvin, donated trading stock to a local orphanage. The selling price (VAT inclusive) of the instruments was R13 800.
4. Trading stock was bought for R81 000 cash, excluding VAT.
5. 10% of the total credit purchases were returned during the month.
6. Discount was reversed on a dishonoured cheque. The total amount owing was R713 inclusive of VAT. The cheque was for R690.
7. Bad debts written off totalled R13 455.
8. Goods were sold, VAT inclusive, for cash R92 000 and on credit R103 500.

QUESTION 2 CASH FLOW STATEMENT [57 marks; 35 minutes]

You are provided with information and a partially completed Cash Flow Statement relating to Flexible Limited. The financial year-end is on 30 June 2019. The authorised share capital of the company is 500 000 ordinary shares. New shares were issued on 1 July 2018.

INFORMATION:

A. The following information was extracted from the financial statements on 30 June 2019.

Balance Sheet	**2019**	**2018**
Ordinary Shareholders' Equity	5 507 600	4 920 000
Ordinary share capital	4 296 000	3 960 000
Retained income	1 211 600	960 000
Land and buildings	5 528 000	8 278 000
Equipment at cost	840 000	600 000
Accumulated depreciation	?	270 000
Loan (16 %)	560 000	1 300 000
SARS (Income tax)	(Cr) 18 000	(Dr) 12 800
Shareholders for dividends	106 400	77 000
Income Statement	**2019**	**2018**
Interest on loan	?	104 000
Net profit after tax	434 000	588 000
Taxation	?	252 000

B. Additional information:

1. Equipment bought on 30 June 2016 for R80 000 was sold for cash on 31 December 2018 at carrying value. New equipment was purchased on 1 February 2019. Depreciation is written off at 15% p.a. at cost.

2. A loan repayment was made on the loan on 1 April 2019.

3. There are no accrued or prepaid amounts for interest. Interest on loan is not capitalised.

4. 75% of the authorised share capital had been issued.

5. Taxation for 2019 was calculated at 30% on net profit.

QUESTION 3 COMPANIES [67 marks; 40 minutes]

This question has a PART A and a Part B – **the two parts are independent of each other**.

PART A

INFORMATION

Extract from the Statement of Comprehensive Income (Income Statement) on 28 February 2019.

	2019	2018
Interest on loan	309 600	846 800
Net profit after tax	2 012 800	1 976 000

Extract from the Statement of Financial Position (Balance Sheet) on 28 February 2019

	2019	2018
Shareholders' Equity	?	14 896 000
Ordinary share capital	17 166 000	?
Retained income	?	304 000
Loan: Nedbank (11% p.a.)	2 767 000	7 680 000

Share capital:

1. On 1 March 2018, the company had 3 040 000 shares in issue.
2. On 1 June 2018, 120 000 shares were repurchased at R5,20 per share.
3. On 31 October 2018, a further 450 000 shares were issued.
4. All shareholders (shares in issue at the end of the year) were entitled to a final dividend of 44c per share. No interim dividends were paid during the year.

PART B

The following information relates to Perfect Vision Limited for the year ended 31 December 2018. Perfect Vision Limited buys and sells reading glasses.

INFORMATION

TRIAL BALANCE OF PERFECT VISION LIMITED ON 31 DECEMBER 2018		
BALANCE SHEET ACCOUNT SECTION		**R**
Ordinary share capital (790 000 shares)		600 000
Retained income (1 January 2018)		325 000
Land and buildings		2 114 451
Loan: Nedbank		380 000
Vehicle		420 000
Accumulated depreciation: Vehicles		153 000
Equipment		616 000
Accumulated depreciation: Equipment		341 000
Debtors Control		69 200
Creditors Control		49 320
Provision for bad debts		3 220
Trading stock		145 000
SARS: Income tax (Dr)		175 000
SARS: PAYE		19 200
Unemployment insurance fund (UIF)		2 900
NOMINAL ACCOUNTS SECTION		
Sales		4 690 400
Cost of sales		3 752 320
Profit on sale of asset		12 500
Sundry expenses		31 000
Bank charges		4 900
Audit fees		41 480
Directors' fees		576 000
Salaries and wages		528 085
Employers' contribution (UIF and pension)		108 000
Rent expense		63 360
Bad debts		3 620
Depreciation on vehicle sold		18 210
Ordinary share dividends (interim)		96 000

ADJUSTMENTS AND ADDITIONAL INFORMATION

1. On 29 December, R Green, a debtor, returned damaged glasses. The selling price was R1 900 and the mark-up was 25% on cost. Perfect Vision Limited immediately returned the glasses to the supplier and they were issued with a credit note. This has not been recorded.

2. The insolvent estate of a debtor, L Bosset, paid out 40 cents in the rand and transferred R480 directly into the bank account of Perfect Vision Limited on 8 December 2019. The balance of his account still needs to be written off.

3. Provision for bad debts must be adjusted to R2 995.

4. Trading stock comprises reading glasses and glass cases. The stock take value of the 200 glass cases was R82 000 after the stock count. The weighted average for a pair of glasses is R543. According to the stock take, 90 pairs of glasses were on hand. After the stock had been counted, the owner donated 10 pairs of glasses with their cases to an orphanage.

5. The company paid their TWO directors up to 30 June 2018. They earn the same fees. A third director was appointed on 1 October 2018 on the same monthly rate as the other two directors. No directors' fees were paid in the second half of the year.

6. Rent expense was increased by 10% on 1 December 2018. The rent for January has already been paid.

7. The company has only paid 80% of the audit fees that were due for this financial year.

8. Depreciation on the vehicle sold has already been recorded. The depreciation on the remaining vehicles was R81 400 at the end of the financial year.

   Equipment is depreciated at 10% p.a. on the diminished balance method. A new packing machine was purchased for R90 000 on 1 September 2018. This was properly recorded.

9. Interest on the loan was capitalised but it has not yet been entered into the books.

NEDBANK: Loan Statement on 31 December 2018	
Balance on 1 Jan 2018	380 000
Interest	?
Repayments to Nedbank	55 800
Balance on 31 December 2018	365 000

   20% of the loan from Nedbank will be paid back in the next 12 months.

10. 300 000 new shares were issued and recorded on 1 December 2018. These shares do not qualify for the final dividend. A final dividend of 7c per share was declared by the directors at year end.

11. Perfect Vision Limited owes SARS a further R42 500 for income tax.

QUESTION 4 MANUFACTURING [33 marks; 20 minutes]

Made Green Manufacturers produces cell phone covers that are made from recycled plastic. It is a small business that has only been in operation for two years.

Information for the financial year ended 31 December 2018.

INFORMATION

1. STOCK

	31 December 2018	1 January 2018
	R	R
Stock of plastic pellets	15 250	17 450
Work in progress	?	115 556
Finished goods	6 360	5 560
Consumable stores – Factory	1 540	1 060

2. Transaction summary for the year ended 31 December 2018.

	R
Purchase of plastic pellets	138 830
Carriage on the plastic pellets purchased	4 240
Consumable goods purchased for the factory	4 566
Cleaning material purchased for the office	2 466
Wages for the workers producing the cell phones	169 000
UIF – contributions for the factory workers	?
Salary: Foreman in the factory	288 000
Administration staff	37 800
Sales department	43 400
Water and electricity	26 400
Sundry expenses	46 900

3. Additional information

(i) During a stock take of plastic pellets on 30 December 2018, it was discovered that the closing stock was calculated incorrectly. 80 of the bags were 750 g packets of pellets that cost R26; they were counted as 1 kg bags in error. All other packets of pellets were 1 kg bags and cost R35. Adjust the closing stock figure given.

(ii) When pellets were returned to the supplier, the transport cost of R840 was deducted from the carriage on purchases. The supplier informed Made Green Manufacturers that the contract stipulated that if pellets were returned the supplier would not carry the loss for carriage.

(iii) The wage of Amber Smith, a factory worker, was left out of the December wages journal. She also received a Christmas bonus of 30% of her Gross wage; this was taxed at 25%. UIF is only applied to basic wage.

	R
Net wage	8 100
PAYE	?
UIF (1% of Gross)	96
Employer contributes 1% to the UIF	

(iv) The water and electricity account is divided up in a ratio of 2:2:1 between the factory, administration and sales departments. The water and electricity had not yet been paid on 31 December 2018. The monthly cost remained constant throughout the year.

(v) The administration department and the sales department use 20% of the sundry expenses, the rest is used for the factory.

(vi) Cell phone covers are sold at R105 each. Made Green Manufacturers uses a consistent mark-up of 50% on cost. A total of 10 800 cell phone covers were sold during the financial year.