NATIONAL SENIOR CERTIFICATE EXAMINATION
MAY 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 INVENTORY SYSTEMS & VAT (41 marks, 25 minutes)

QUESTION 1.1 INVENTORY SYSTEMS (31 marks, 19 minutes)

Refer to the information relating to Callaghan Cheeses.

BOARDS (Weighted Average Method):

1.1.1 Determine the weighted average of one board.

$$\frac{13\,500 \checkmark + 53\,750 \checkmark - 975 \checkmark (5 \times 195) + 2\,395 \checkmark}{60 + 260 - 5 \checkmark} = \frac{68\,670}{315}$$

R218 ☑ *Rands / Units no foreign*

(6)

1.1.2 Determine the rand value of the boards that were lost during the past quarter. Consider that the actual cost of sales was calculated to be R56 975.

265 ✓ × R218 ☑ *from 1.1* = 57 770
= 56 975 ✓

= R795☑ *Intended COS – Actual COS*

(4)

CHEESE (FIFO Method):

1.1.3 Calculate the weight of cheese on hand (in kilogram) on 31 May 2021.

190 ✓+ 810✓ – 10✓ = 990 – 735✓ – 25 ✓= 230 kg ☑ *no foreign*

(6)

1.1.4 Complete the Trading Statement for the quarter ended 31 May 2021 with regard to the **cheese** only.

Sales	87 745 ✓
Cost of sales	(48 250) ☑ *bracket; added*
Opening stock	10 450 ✓
Purchases	45 950 ✓✓✓☑
Carriage on purchases (810 ✓ × 5 ✓)	4 050
Less closing stock	(12 200) ✓✓✓
Gross profit	39 495 ☑ *Sales – COS*

(13)

TRADING STATEMENT – 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 Trading Statement.

Purchases	Closing stock
48 100 ^– 650^ (65 × 10) – 1 500^ (60 × 25) = 45 950 ⌂ *no foreign*	160 = 8 000 ^ 70 × 60 = 4 200 ^^ 12 200

1.1.5 Sydney did not achieve her intended mark-up of 100% on the cheese. Advise her if she needs to include the carriage on purchases as part of her cost price when marking up her goods to determine the selling price. Consider the potential consequence that your decision exposes her to.

Decision: Yes / No (circle your decision)

Advice: YES – carriage forms part of the cost, ✓ will lead to lower profits and danger of miscalculation of margins and profitability if excluded ✓

NO – increases the selling price – too expensive and risk of losing customers

Consequence: 5 / ave 60 = 8%

Reason ✓ links that the carriage on purchases is part of the cost and will increase the cost price.

Carriage is not an operational expense

Threat ✓ links that the increase in the cost price when mark-up is applied will increase the selling price and their goods will be more expensive (this may in turn lead to them losing customers)

(2)

QUESTION 1.2 VAT **(10 marks, 6 minutes)**

Calculate the VAT amount and indicate if it increases or decreases the amount owing to SARS. VAT is calculated at 15%.

	Calculation	VAT amount	Effect on amount owing to SARS
1	$1\ 260 \times \frac{15}{100}$	R189 ✓	Increase ✓
2	$9\ 315 \times \frac{10}{90}$ ✓ $= 1\ 035 \times \frac{15}{115}$ ✓	R135☑ *no foreign process – calculating the VAT on the discount*	Decrease ✓
3	$2\ 760 \times \frac{100}{160}$ ✓ $= 1\ 725 \times \frac{15}{115}$ ✓ **OR** $2\ 760 \times \frac{100}{115} = 2\ 400 \times \frac{100}{160}$ ^ $= 1\ 500 \times 15$ ^ %	R225☑ *no foreign process – calculating the VAT on the cost price (return)*	Increase ✓

(10)

31	+	10	=	41
31		10		41

QUESTION 2 COMPANY FINANCIAL STATEMENTS (66 marks; 39 minutes)

COMPANY FINANCIAL STATEMENTS – 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 Extracted Income Statement and/or Financial Statements Notes on pages 6 and 7.

Average share price & buy back	
$\frac{9\,245\,000\ \hat{}}{4\,300\,000\ \hat{}} = 215$ cents $-\ 276\hat{}$ $=\ 61$ cents	
Salaries (Adjustment 8)	
216 000 / 12 = 18 000^ 1 440^ + 1 440 4 500^ 12 060 + 1 440	
Interest on loan (Adjustment 9)	
$560\,000\ \hat{}\times 12\% \times \frac{9}{12}\ \hat{} = 50\,400$ $525\,000\ \hat{}\times 12\% \times \frac{3}{12}\ \hat{} = 15\,750$ 66 150	

Refer to the information relating to Mishka Limited.

2.1 Complete the Statement of Comprehensive Income (Income Statement) for the year ending 28 February 2021.

Sales (4 815 000 – 96 000 ✓ – 11 900 ✓)	4 707 100 ☑
Cost of sales (2 324 000 – 6 800 ✓)	(2 317 200) ☑ *COS in bracket*
Gross profit	2 389 900 ☑ *Sales – COS*
Other incomes	**Do not calculate** **519 358**
Rent income	248 920
Bad debts recovered (4 100 + 3 200 ✓+ 3 200 ✓)	10 500
Commission income (41 000 + 36 000 ✓✓)	77 000
Provision for bad debts adjustment (6 150 ✓ – 5 632 ☑ *from 2.2.1*)	518
Gross income	**Do not calculate** **2 909 258**
Operating expenses	**Do not calculate** **(1 256 508)**
Stationery (14 700 – 1 800 ✓)	12 900
Depreciation	42 400
Sundry expenses	235 818
Salaries & wages (864 000 +18 000 ✓)	882 000
Pension fund contributions (69 120 + 1 440 ✓)	70 560
Loss due to return of goods	680 ☑ *from 2.2.3 (10%)*
Loss due to flood (7 000 ✓– 5 950 ✓)	1 050
Trading stock deficit (759 300 ✓ + 6 800 – 6 800 ✓– 7 000 ✓ – 741 200 ✓)	11 100 ☑
Operating profit	**Do not calculate** **1 652 750**
Interest income (61 800 – 4 200 ✓ + 6 100 ✓)	63 700
Net profit before interest expense	**Do not calculate** **1 716 450**
Interest expense	(66 150) ✓✓✓✓
Net profit before taxation	1 650 000
Taxation (480 000 ✓ + 12 000 ✓)	(492 000)
Net profit after taxation	1 158 000 ☑ *subtract tax*

(32)

2.2 Complete the following full notes to the financial statements as at 28 February 2021.

2.2.1 **Trade & other receivables**

Net trade debtors	135 168 ☑ *Subtract*
Debtors Control (149 500 – 11 900 ✓+ 3 200 ✓)	140 800 *
Less: Provision for bad debts (140 800 ☑ *Debtors × 4% ✓)	(5 632)
Accrued income (4 200 – 4 200 ✓+ 6 100✓) + 5 950 ✓+ 36 000 ✓)	48 050 ☑
	Do not calculate

(10)

2.2.2 **Retained income / Accumulated profits**

Balance as at 1.03.2020	1 245 000
Net profit after tax	1 158 000 ☑ *from Income Stat.*
Buyback of 60 000 shares at 61 ✓✓✓ cents	(36 600) ☑ *Bracket*
Ordinary share dividends	(725 600) ☑ *Bracket; adding*
Paid	344 000 ✓
Recommended (4 240 000 ✓ × 0.09 ✓)	381 600
Balance as at 28.02.2021	1 640 800 ☑ *Adding*

(10)

2.2.3 **Trade and other payables**

Creditors Control (375 200 – 6 800 ✓ + 680 ☑ *10%*)	369 080
Creditors for salaries	12 060 ✓✓✓
Pension fund (6 900 ✓ + 1 440 ✓+ 1 440 ✓)	9 780
SARS (PAYE) (19 800 ✓ + 4 500 ✓)	24 300
Short-term loan instalment	35 000 ✓✓
SARS (Income tax)	12 000 ✓
Shareholders for dividends	381 600 ☑ *from 2.2.2*
	Do not calculate

(14)

66
66

QUESTION 3 CASH FLOW STATEMENTS (49 marks, 29 minutes)

Refer to the information relating to Readhead Motors Ltd.

3.1 Complete the following Note to the Cash Flow Statement:

Reconciliation between profit before taxation and cash generated from operations

Net profit before Tax (1 505 000✓ × $\frac{100}{70}$ ✓)	2 150 000
Adjustment for:	506 580
Depreciation	311 220 ✓✓✓☑ ☑
Interest expense	195 360 ✓✓✓☑
Profit before the changes in working capital	2 656 580 ☑
Changes in working capital	84 300 ☑ *adding*
*Increase / ~~Decrease~~ in inventory✓ *linked to bracket use*	(63 300) ✓
*~~Increase~~ / Decrease in receivables ✓ *linked to bracket use*	60 100 ✓✓
*Increase / ~~Decrease~~ in payables ✓ *linked to bracket use*	87 500 ✓✓
Cash flow from operations	2 740 880 ☑ *adding*

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

(22)

3.2 Complete the following extract from the Cash Flow Statement for the year ended 28 February 2021.

Cash flow from investing activities	(113 900) ☑ *adding; correct bracket*
Purchase of fixed assets	(576 150) ✓
Proceeds from the sale of fixed assets (249 000 ✓– 186 750 ✓)	62 250
Decrease in investments (1 400 000 – 1 000 000)	400 000 ✓✓

(6)

3.3 Determine the value of the new loan taken out during the year ended 28 February 2021.

12 000 × 12 = 144 000 ✓+ 2 372 000 ✓ – 2 106 000 ✓= R500 000 ☑ *adding; no foreign, no interest*

(4)

3.4 Calculate the amount of taxation paid during the year, as it would appear on the Cash Flow Statement for the year ended 28 February 2021.

(2 150 000 × 30% or 1 505 000 × $\frac{30}{70}$) = 645 000 ✓✓

84 000 ✓ + 645 000 + 27 000 ✓ = 756 000 ☑ *adding; no foreign*

(5)

3.5 Determine the total amount paid to the deceased shareholder's estate for the repurchase of the shares.

200 000 × 0.25	=	50 000 ✓✓
2 730 000 – 2 600 000	=	130 000 ✓
		180 000 ☑ *adding; no foreign*

(4)

3.6 Determine the bank account balance on 28 February 2021. Indicate whether it is a favourable balance or an overdraft.

1 278 420 ✓ + 176 000 ✓– 113 900 ☑ *from 3.2;*
= 1 340 520

– 800 520 (– 814 520 ✓ + 14 000 ✓)

540 000 – 12 000 ✓

= 528 000☑ *adding; no foreign*

Favourable / Overdraft ☑ *follow their calculation*

(8)

CASH FLOW STATEMENTS – 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 relevant question on pages 8 and 9.

Depreciation	
1 729 000^ + 576 150^ – 62 250 ☑ *from 3.2* – 1 931 680^ = 311 220 ☑ *no foreign*	
Interest on loan	
196 680^ + 17 160^ – 18 480 ^= 195 360☑ *no foreign*	
Movement in receivables	
486 800 – 424 200^ <u>15 100</u> – <u>16 800</u>^ 501 100 – 441 000 = 60 100 decrease	
Movement in payables	
521 400 – 603 100^ <u>13 600</u> – <u>19 400</u>^ 535 000 – 622 500 = 87 500 increase	

49
49

QUESTION 4 MANUFACTURING & ASSET MANAGEMENT

(44 marks, 27 minutes)

MANUFACTURING WITH FIXED ASSET MANAGEMENT – 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 Production Cost Statement or Factory Overheads Notes on page 12.

Raw materials purchased	Rent expense
2 100 000 ^– 157500 ^ (7½%) = 1 942 500 (92½ %) + 228 000 (16 000^ – 5^% = 15 200 × 15^) = 2 170 500	226 850 / 13 = 17 450
Water & lights	
20 000 × 0,65 = 13 000^ 19 800 × 0,95 = 18 810^ 400 × 12 = 4 800^ = 36 610 $\boxed{\wedge}$	

Refer to the information relating to Jasson Jewellers.

4.1 Complete the Note to the Production Cost Statement for raw materials.

Note 1: Raw materials

Opening Stock	513 500 ✓
Purchases	2 170 500 ✓✓✓✓☑
Carriage on purchases (94 500 ✓ + 4 560 ✓✓)	99 060
Accept if 4 560 is listed as import duties	
Closing stock	(672 020) ✓ *bracket*
Raw materials transferred to the production process	2 111 040 ☑ *adding; no foreign*

(11)

4.2 Complete the Note to the Production Cost Statement for factory overheads.

Note 3: Factory overheads

Indirect labour	76 250
Indirect material (46 200 ✓– 31 400 ✓+ 156 000) ✓= 170 800 × 95% ✓	162 260
Rent expense (226 850 – 17 450✓✓ = 209 400 × $\frac{900}{1200}$ ✓	157 050
Rates & taxes (82 900 + 6 500✓ = 89 400 × 80%✓	71 520
Water & lights	36 610 ✓✓✓✓
Insurance (73 440 × 70%	51 408 ✓
Depreciation on equipment	102 190 ☑ *from below*
	657 288

Calculation of depreciation on factory equipment.

Calculation	Depreciation
Equipment sold 124 000 – 34 720 = 89 280 ✓✓ × 20% × $\frac{5}{12}$ ✓	7 440
Remaining (old) equipment 964 000 ✓– 454 720 ✓ = 509 280 – 89 280 ✓✓ 420 000 × 20% ✓	84 000
New equipment 215 000 ✓ × 20% × $\frac{3}{12}$ ✓	10 750
Total depreciation on factory equipment for the year	102 190 ☑

(26)

4.3 Determine the total sales for the year ended 31 May 2021.

229 800 ✓+ 3 313 086 ☑ *from 4.3* – 201 300 ✓ = 3 341 586 3 341 586 + 150% ✓ (x $\frac{250}{100}$) = R8 353 965 ☑ *no foreign*

(5)

4.4 Comment on the profitability of the business by considering the following:

Number of units produced: 250 000 units
Number of units sold: 238 700 units
Break-even point: 80 000 units

They are producing more than 3 times the number required to break even, so 2/3 of their production is profitable.

They are selling more than 95% of their production; this results in gross profit – as such the business is very profitable.

Sales to production ✓ break-even ✓

(2)

44
44

Total: 200 marks