NATIONAL SENIOR CERTIFICATE EXAMINATION
MAY 2023

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 ASSET MANAGEMENT & VAT (32 minutes)

Refer to the information relating to Patel Pies.

QUESTION 1A INVENTORY SYSTEMS (13 minutes)

1.1 Calculate the rand value of the closing stock for the year ended 30 September 2022.

Number of units on hand 24 000 + 111 000 – 2 000 – 1 000 – 122 000 = 10 000
Rand value 10 000 × 7 = 70 000

1.2 Determine the actual mark-up on cost that was achieved.

122 000 × 20 = 2 440 000 – 890 960 = $\frac{1\ 549\ 040}{890\ 960} \times 100$ = 173,86% if Gross Profit/Cost of Sales COS Test (216 000 + 768 000 – 15 760 – 7 280 – 70 000 = 890 960)

1.3 The owner has established that 1 000 pies were thrown away during the year as they went stale. She cannot determine when this was done. The only way she can determine the rand value of the loss is to use the weighted average method. Using the weighted average method, calculate the rand value of the loss.

Weighted Average Calculation $\frac{216\ 000}{24\ 000} + \frac{768\ 000}{111\ 000} - \frac{15\ 760^*}{2\ 000} = \frac{977\ 550}{133\ 000}$ = R7,28 *(8.00 – .012 = 7.88 × 2 000)
Rands value of the loss R7,28 from above (Rands/Units) × 1 000 = R7 280

1.4 1.4.1 The owner, Shreya decided to reduce the closing stock levels. Determine the percentage by which she reduced the stock levels.

24 000 – 10 000 from 1.1 = $\frac{14\ 000}{24\ 000} \times 100$ = 58,33% if movement (Difference/Original)

1.4.2 Give two probable reasons why she chose to reduce the stock levels.

1. Risk of perishable product going stale would increase losses – caused by loadshedding and freezers being off.
2. Sales have declined and they won't move the stock before it expires.
3. Cost of Storage / Storage space – make way for new product
4. Free up cash / working capital for valid reason

QUESTION 1B VAT (7 minutes)

VAT is calculated at 15%

1.5 Analyse the extracted transactions and their effect on the **amount owing to/by** SARS for VAT as per the table below.

	Calculation	VAT amount	Amount owing to/by SARS (VAT) Amount with no sign is an INCREASE
1	1 100 × 3	3 300	Increase (+)
2	184 000 – 7½% = 170 200 × 15/115 X 92.5%	22 200	Decrease (-)
3	16 000 – 1 600 = 14 400 × 15/100 X90% / - 10%	2 160	Increase (+)
4	4 025 × 0,4 = 1 610 × 15/115 -0.6	210	Decrease (-)

QUESTION 1C FIXED ASSETS (12 minutes)

1.6 Complete the extracted fixed/tangible asset note for the year ended 30 September 2022.

	Equipment
Carrying Value at the beginning of the year	1 089 000
Cost Price	1 740 000
Accumulated Depreciation	(651 000)
Movement	**Do not calculate**
Additions	500 000 Not 460 000
Disposals (460 000 – (138 000 + 19 320 sold)	(302 680) bracket
Depreciation (19 320 + 138 060 + 60 000)	(217 380) bracket
Carrying Value at the end of the year	**Do not calculate**
Cost Price	1 780 000
Accumulated Depreciation (651 000 + 217 380 depreciation– 157 320 disposal)	(711 060) bracket

Calculations:

Depreciation on equipment that was destroyed 460 000 – 138 000 = 322 000 × 18% × 4/12 on their book value = 19 320
Depreciation on remaining equipment 1 089 000 – 322 000 destroyed = 767 000 × 18% = 138 060 on full year Or (1740 000 – 460 000 = 128 000) – (651 000 – 138 000 = 513 000) = 767 000 x 18% = 138 060 on full year
Calculation of cost price of new equipment (1 740 000 – 460 000 – 1 780 000) Depreciation on new equipment 500 000 from the note "additions"× 18% × 8/12 = 60 000

QUESTION 2 COMPANY FINANCIAL STATEMENTS (40 minutes)

Refer to the information relating to Lamola Limited.

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 final question.

Average share price	**Rent income**
$\frac{23\,800\,000 + 770\,000}{35\,000\,000 + 700\,000} = \frac{31\,500\,000}{4\,200\,000}$ Note 2.2.2 = 7,50 – 10,50 = 2,50	127 400 = 7x + 3 (x + 800) Rent after deposit adjustment 125 000 = 10x 12 500 = x 13 300 = x + 800 or 127 400 – 2 400 = 125 000 / 10 =12 500 + 800 = 13 300
Trading stock deficit	
8 532 000 – 7 000 + 8 400 – 21 000 – 8 489 800 = 22 600	
Interest on loan	
577 500 + 3 975 000 – 2 750 000 – 1 500 000 = 302 500	

2.1 Complete the Statement of Comprehensive Income (Income Statement) of Lamola Limited for the year ending 28 February 2022.

Sales (16 258 500 – 82 580 – 15 960 + 28 800) 21 000 + 4 200	16 185 160
Cost of sales (8 140 250 – 8 400 + 21 000)	(8 152 850) bracket
Gross profit	8 032 310 if –
Operating incomes	Do not calculate
Rent income (137 400 – 10 000 - 13 300)	114 100
Discount received	48 500
Sundry income	383 510
Provision for bad debts adjustment	7 200
Operating expenses	Do not calculate
Insurance (88 500 – 8 600) [12 900 × 4/6]	79 900 if –
Director's fees (360 000 + 20 000 + 20 000) Not 20 000 - 7000	400 000
Stationery (36 400 – 14 500)	21 900 if –
Salaries & wages	2 620 000
Medical aid contributions	175 000
Bad debts	58 500
Discount allowed	32 000
Depreciation	168 000
Auditor's fees	29 500
Sundry expenses	312 000
Trading stock deficit	22 600
Operating Profit	Do not calculate
Interest income	49 300
Interest expense	Bracket (302 500)
Net profit before taxation	4 394 000
Taxation for the year (4 394 000 – 3 075 800)	bracket (1 318 200)
Net profit after taxation	3 075 800

2.2 Complete the following notes to the financial statements as at 28 February 2022.

2.2.1 Trade & Other Receivables

Net trade debtors	Do not calculate
Debtors control (5 126 400 – 15 960 from sales + 3 000)	5 113 440
Less: Provision for bad debts (96 000 – 7 200)	(88 800) bracket
Prepaid Expenses	8 600 from insurance
SARS (Income Tax) (– 1 462 000 + 1 318 200) from income statement Accept R1 318 200 on Payables note for	143 800
Deposit: Rent	10 000
	Do not calculate

2.2.2 Ordinary Share Capital

Authorised share capital		
5 000 000 ordinary shares		
Issued share capital		
3 500 000	ordinary shares on 1 March 2021 (560 000 / 0,16)	23 800 000
700 000	shares issued at R11,00	7 700 000
(100 000)	shares repurchased at R7,50	(750 000) bracket
4 100 000 totalling	ordinary shares on 28 February 2022	Do not calculate

2.2.3 Accumulated Profits/Retained Income

Balance on 1 March 2021	6 580 000
Net profit after tax	3 075 800
*Repurchase of 100 000 shares at R3,00 R10.50 – Average	(300 000) bracket
Ordinary share dividends	(1 421 000) bracket
Paid	560 000
Recommended (0,21 × 4 100 000 from 2.2.2)	861 000
Balance on 28 February 2022	Do not calculate

2.2.4 Trade and Other Payables

Trade creditors (9 659 000 + 3 000)	9 662 000
Shareholders for dividends	861 000 from 2.2.3
Accrued expenses (20 000 – 7 000 = 13 000 + 20 000)	33 000
Deposit received	10 000
Income received in advance	13 300 Rent
Short term loan	425 000
	Do not calculate

QUESTION 3 CASH FLOW STATEMENTS (27 minutes)

Refer to the information relating to Makatu Machines Ltd.

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 final question.

Dividends Paid	**Fixed Assets Purchased**
192 000 + 416 000 – 168 000 = 440 000	495 000 – 12 000 = 483 000 + 256 500 + 4 613 500 – 2 680 000 = 2 673 000
Interest Paid	
95 400 interest expense + 7 200 – 9 000 = 93 600	
Taxation Paid	
589 500 - 36 800 – 41 200 = 511 500	

Refer to the information relating to Makatu Machines Ltd.

3.1 3.1.1 Complete Note 1: Reconciliation between profit before taxation and cash generated from operations.

Net profit before taxation (589 500 × 100/30)	1 965 000
Adjustments for:	339 900
Depreciation	256 500
Interest expense	95 400
Profit on sale of asset	(12 000)
Operating profit before changes in working capital	2 304 900
Changes in Working Capital	(459 600) correct totalling
Increase/~~Decrease~~ in inventory bracket = words	(296 000)
*~~Increase~~/*Decrease in receivables bracket = words	178 400
*~~Increase~~/*Decrease in payables bracket = words	(342 000)
Cash generated from operations	1 845 300

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

3.1.2 Calculate the following Note 1 amounts in the space provided below:

Interest on loan
1 350 000 × 8% × 5/12 = 45 000 1 080 000 × 8% × 7/12 = 50 400 95 400 OR 1 080 000 x 8% = 86 400 270 000 x 8 % x 5/12 = 9 000 95 400
Changes in Trade & other receivables
(850 000 + 66 000) – (665 000 + 72 600) 916 000 – 737 600 = 178 500
Changes in inventories
$\frac{16\ 400\ 000}{½\ (1\ 164\ 000 + x)} = 12,5$ 1 312 000 × 2 = 2 624 000 – 1 164 000 = 1 460 000 1 164 000 – 1 460 000 = 296 000

3.2 Complete the Cash Flow Statement for the year ended 28 February 2022.

Cash flow from investing activities		Do not calculate
Cash generated from operations	1	1 845 300 note 1
Dividends Paid		(440 000) brackets
Interest Paid		(93 600) brackets
Taxation Paid		(511 500) brackets
Cash flow from investing activities		Do not calculate
Fixed assets purchased		(2 673 000) brackets
Proceeds from the sale of fixed assets		495 000
Cash flow from financing activities		Do not calculate
Proceeds from the sale of shares		812 000
Repayment of loan (1 350 000 – 1 080 000)		(270 000)
Cash movement for the year		(835 800)
Cash balances on 1 March 2021		324 000
Cash balances on 28 February 2022		(511 800)

QUESTION 4 MANUFACTURING (21 minutes)

Refer to the information relating to Roxy's Racing.

4.1 Complete the following notes to the production cost statement for the year ended 28 February 2022:

4.1.1 Raw materials

Opening balance	670 000
Purchases (1 580 000 + 26 000 – 6 500) [26 000 × 50/200]	1 599 500
Carriage on Purchases (500 + 31 000)	31 500
Closing balance	(730 000)
Raw materials used in the production process	1 571 000

4.1.2 Factory overheads

Indirect materials (21 000 – 16 000 + 47 000)	52 000
Indirect labour ((60 000 + 2 500) × 12) + 60 000)	810 000
Rent expense (234 000 – 18 000 × 1 000/1 500)	144 000
Water & electricity (60 000 × 85%)	51 000
Insurance (45 100 + 4 100) × 3/6	24 600
Depreciation (945 000 – 735 000)	210 000
WiFi (23 800 × 10/70)	3 400
	1 295 000

4.2 Calculate the total cost of production for the year ended 28 February 2022.

1 571 000 from 4.1.1 + 1 295 000 from 4.1.2 +
1 212 000 ((5 × (179 376 × 100/74))
= 4 078 000
+ 524 000 – 718 000
= 3 884 000 no foreign

4.3 Calculate the rand value of the finished goods on 28 February 2022.

1 908 000 + 3 884 000 from 4.2
– 3 760 000 (9 400 000 × 100/150)
= 2 032 000

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	Insurance
60 000 + (5 000/2) = 62 500 × 12 = 750 000 + 60 000 = 810 000 Or 60 000 x 13 = 780 000 + 30 000 = 810 000	451 000 × 1/11 + 4 100 = 49 200 × 3/6 = 24 600
Direct labour	
5 × (179 376 × 100/74 = 242 400 = 1 212 000	
Rent expense	
234 000 × 1/13 – 18 000 = 216 000 × 1000/1500 = 144 000	

Total: 200 marks