NATIONAL SENIOR CERTIFICATE EXAMINATION
MAY 2025

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 (22 minutes)

Refer to the information relating to Bullah's Biltong.

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

QUESTION 1A INVENTORY SYSTEMS (15 minutes)

Biltong – First In First Out (FIFO)

1.1 **Using the FIFO method** calculate the cost of sales for the kilograms of biltong sold for the year ending 29 February 2024.

		6 400			= 544 000
13 000 – 500 – 250	=	12 250	×	80	= 980 000
		1 650	×	95	= 156 750
		20 300			1 680 750

Accept alternative – Periodic calculation:

6 400	= 544 000
+	1 685 000
(13 000 × 80 = 1 040 000)	
(3 000 × 95 = 285 000)	
(4 000 × 90 = 360 000)	
Less	(60 000)
(500 × 80 = 40 000)	
(250 × 80 = 20 000)	
Less	(488 250)
(1 350 × 95 = 128 250)	
(4 000 × 90 = 360 000)	
=	1 680 750

1.2 Calculate the actual mark-up percentage on cost that was achieved by the business for the year ending 29 February 2024.

$$20\,300 \times 250 = \frac{5\,075\,000 - 1\,680\,750}{1\,680\,750} \times 100$$

$$= 201{,}95\%$$

Accept alternative – mark-up on unit cost:

$$\frac{250 - 87.50}{87.50} \times 100$$

$$= 185.71\%$$

Knives

1.3 Calculate the number of knives purchased during the year.

800 + × – 600 – 1 400 = 12 500 + 50
= 13 750

1.4 Calculate the weighted average of one knife.

$$\frac{140\,000}{800} + \frac{2\,502\,500}{13\,750} - \frac{108\,000}{600} + \frac{18\,350}{} = \frac{2\,552\,850}{13\,950}$$

= R183

(600 × 180 = 108 000)

1.5 The local farmers have indicated that from 2025 they will no longer deliver the biltong to the storage warehouse for free and will need to charge R2 000 per delivery for this service. The owner is considering fetching the biltong herself. Explain to the owner what needs to be considered and explain what you think the best solution would be.

Consideration:

3 deliveries a year – any vehicle purchase, salary, fuel, insurance, etc. would be more than R500 per month. She would have to have/purchase a bakkie that could carry 13 000 kg and then have labour for this.

Solution:

Pay the delivery – outsource and transfer the risk – add the cost to your cost of sales and recover it in the selling price.

QUESTION 1B VAT (7 minutes)

VAT is calculated at 15%

1.6 Calculate the VAT amount for each of the transactions that were not recorded.

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

	Calculation	VAT amount	Indicate the effect (increase or decrease) on the amount owing to SARS
Credit balance owed to SARS			R9 200
1	82 000 x 15/100	12 300	Increase
2	2 760 × 40/60 = 1 840 × 15/115	240	Decrease
3	350 000 – 6% = 329 000 × 15/100	49 350	Decrease
4	8 740 × 5/95 = 460 × 15/115	60	Increase

QUESTION 2 COMPANY FINANCIAL STATEMENTS (41 minutes)

Refer to the information relating to Tatiana Traders 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 final question.

Trading stock deficit
Rent income (adjustment 7)
251 250^ = 8x + 5^ (8/5 split) (x – 1 750^) 20 000 = x 18 250 = x – 1 750 calculation process
Directors' fees (adjustment 8)
312 000 ^+ 8 000 ^ + 35 000 ^= 355 000 – 400 000 = 45 000

2.1 Complete the Statement of Comprehensive Income (Income Statement) of Tatiana Traders Ltd for the year ending 29 February 2024.

Sales (37 900 500 – 187 500)	37 713 000
Cost of sales	(12 571 000)
Gross profit	Do not calculate
Operating incomes	Do not calculate
Fee income (1 256 000 + 14 000)	1 270 000
Rent income (251 250 – 18 250)	233 000
Discount received	28 900
Sundry incomes	Do not calculate
Provision for bad debts adjustment (97 800 – 95 200)	2 600
Profit on sale of asset (35 000 – 30 000)	5 000
Operating expenses	Do not calculate
Water & electricity (176 500 – 12 400 + 15 500) (12 400 + 25%)	179 600
Packing material (48 600 – 4 000 – 3 400)	41 200
Advertising (213 500 + 64 500 – 21 500)	256 500
Bank charges (9 790 + 890)	10 680
Discount allowed (32 500 + 500)	33 000
Insurance (112 500 + 2 700) (9 600 – 6 900)	115 200
Directors' fees (100 000 x 4)	400 000
Depreciation	142 000
Salaries & wages, including contributions	Do not calculate
Handling/Returns fee	150
Trading stock deficit (8 670 000 – 6 000 – 8 000 – 8 595 000)	61 000
Operating profit	Do not calculate
Interest income (58 400 + 3 200)	61 600
Net profit before interest expense	Do not calculate
Interest expense	(72 000)
Net profit before taxation	Do not calculate
Taxation for the year (645 000 + 309 000)	(954 000)
Net profit after taxation	**2 226 000**

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

2.2.1 **Trade & other receivables**

Net trade debtors	Do not calculate
Debtors' control (3 260 000 – 8 000 (7 500 + 500)	3 252 000
Less: Provision for bad debts (97 800 – 2 600)	(95 200)
Prepaid expenses (21 500 + 4 000) (64 500 x 1/3)	25 500
Accrued income	14 000
	Do not calculate

2.2.2 **Retained income / Accumulated profits**

Balance at the beginning of the year	6 410 000
Net profit after tax	2 226 000
Repurchase of shares	(775 000)
Ordinary dividends	(4 247 500)
Paid	1 612 500
Recommended/Declared	2 635 000
Balance at the end of the year	Do not calculate

Calculation space for the weighted average share price: 1 875 000 ^/ 0.25 ^= 7 500 000 shares × R6,25^ = 46 875 000 46 875 000 + 11 175 000 = 58 050 000 7 500 000 ^+ 1 500 000^ 9 000 000 = R6,45
Calculation space for the repurchase of shares: 8,00 ^– 6,45^ = 1,55 1,55 × 500 000^

2.2.3 **Trade & other payables**

Trade creditors (7 240 000 – 6 000 + 150) (18 000 × 100/300)	7 234 150
Accrued expenses (12 400 – 12 400) (15 500 + 45 000)	60 500
Income received in advance	18 250
SARS (Income Tax)	309 000
Shareholders for dividends	2 635 000
Short-term loan instalment (25 000 × 4)	100 000
Deposit: Rent Income (24 000 – 2 000)	22 000
	Do not calculate

QUESTION 3 CASH FLOW STATEMENTS (26 minutes)

Refer to the information relating to Kanegoni Clothing Ltd.

3.1 Complete the SARS (Income Tax) account as it would appear in the general ledger for the year ended 29 February 2024 (no dates or folio numbers are required).

SARS (Income Tax) B14			
Bank	1 247 000	Balance	75 000
		Income Tax	1 140 000
		Balance	32 000
	1 247 000		1 247 000
Balance	32 000		

3.2 3.2.1 Calculate the following amounts required to complete note 1 below:

Depreciation 10 325 000 + 5 541 000 = 525 000 + 12 476 000 + x = 2 865 000
Interest on loan (68 000 × 12) = 816 000 + 3 686 000 = 2 800 000 – 1 450 000 + x = 252 000
Inventories movement 3 875 000 _____ . ½ (1 827 500 + x) = 2 = 2 047 500 2 047 500 – 1 827 500 = 220 000
Payables movement 6 250 000 – 7 124 000 64 000 – 51 000 23 000 – 25 000 6 337 000 – 7 200 000 = 863 000

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

Net profit before taxation (1 140 000 × 100/30)	3 800 000
Adjustments for:	3 117 000
Depreciation	2 865 000
Interest expense	252 000
Operating profit before changes in working capital	6 917 000
Changes in working capital	911 000
***Increase** in inventory	(220 000)
***Decrease** in receivables	268 000
***Increase** in payables	863 000
Cash generated from operations	**Do not calculate**

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

3.3 Complete the extract of the financing activities section as it would appear in the cash flow statement for the year ended 29 February 2024.

Cash flow from financing activities	4 786 000
Sale of shares	3 900 000
Repurchase of shares	0
Proceeds from the new load	1 450 000
Repayment of loan (816 000 – 252 000)	(564 000)

Calculation space for sale of shares 21 000 000 ^– (31 500 000 ^– 6 600 000^) = 24 900 000 = 3 900 000

3.4 Calculate the total dividends that were **paid** (as it would appear on the cash flow statement) for the year ending 29 February 2024.

= 560 000 + 1 405 000 = 805 000 + x
= 1 160 000

QUESTION 4 MANUFACTURING (31 minutes)

Refer to the information relating to Moloantoa Motors.

PART A FIXED ASSETS (10 minutes)

Calculation space for the fixed asset note.

Additions at cost *x* × 18%^ × 6/12^ = 74 250^ = 825 000
Depreciation on the remaining (old) vehicles 1 282 000^– (495 000 ^– 246 500^) 248 500 = 1 033 500 × 18%^ = 186 030
Disposals at carrying value 495 000^ – (246 500^ + 22 365^) = 226 135
Cost price on 29 February 2024 (3 465 000 ^+ 825 000 – 495 000^) = 3 795 000

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

	Vehicles
Carrying value on 1 March 2023	1282 000
Cost price	3 465 000
Accumulated depreciation	(2 183 000)
Movement	**Do not calculate**
Additions at cost	825 000
Disposals at carrying value	(226 135)
Depreciation (22 365 + 74 250 + 186 030)	(282 645)
Carrying value on 29 February 2024	**Do not calculate**
Cost price	3 795 000
Accumulated depreciation	Do not calculate

PART B MANUFACTURING (35 marks, 21 minutes)

4.2 Calculate the total factory overhead cost for the year ended 29 February 2024:

Consumable stores	48 000
Indirect labour (3 400 000 + 306 000)	3 706 000
Sundry factory expenses	**Do not calculate**
Water & electricity (132 000 +18 000) × 8/15	80 000
Insurance (96 000 + 1 280) × 50%	48 640
Security costs (104 800 × 500/800) (800 – 150 × 2)	65 500
Depreciation (15 100 × 90)	1 359 000
	Do not calculate

Calculation of consumable stores (4) 9 000 – 7 500 + 62 500 × 75%	
Calculation of insurance (3) (96 000 / 12 = 8 000 × 8% = 640 X 2 = 1 280) OR 96 000 × 1216/1200	

4.3 Calculate the direct labour cost as it would appear in the production cost statement for the year ending 29 February 2024.

Calculation of direct labour cost for the production process.

52 800 + 27 200 = 80 000 + 9% = 87 200 × 125 = 10 900 000 + 408 550 =11 308 550

4.4 Calculate the rand value of the closing stock of finished goods for the year ending 29 February 2024.

2 125 000 + 19 625 000 – 18 000 000 = 3 750 000

4.5 An amount of R25 000 worth of raw materials were stolen from the storeroom as the storeroom manager had accidentally lost the lock. The administration department took two days to purchase a new one. This cost of the loss was billed to the administration department. The auditors do not agree that this is where it should have been recorded.

4.5.1 Name the general ledger account that the loss should be closed off to at the end of the year.

Factory overheads

4.5.2 Briefly explain the auditors reasoning for not recording it as an administrative cost.

The process of goods moving from the storeroom to the factory is part of the production process, as such expenses incurred during this process are production cost
Loss occurred in the factory and not the administration offices

4.5.3 Briefly suggest viable one internal control that could be put in place to avoid this loss happening in the future.

Install and automatic closing and locking system – attach the lock to the door, etc.
Viable – consider the cost vs the R25 000 loss – can't employ someone

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.

Total: 200 marks