NATIONAL SENIOR CERTIFICATE EXAMINATION
MAY 2025

ACCOUNTING: PAPER I

Time: 2 hours 200 marks

INFORMATION BOOKLET

QUESTION 1 INVENTORIES & VAT (37 marks, 22 minutes)

Information relating to Bullah's Biltong

Bullah's Biltong is a locally run business that sells biltong and specialised biltong knives from three different stores.

- They use the periodic inventory system for all stock.
- They are VAT registered on the invoice base method.

QUESTION 1A INVENTORY SYSTEMS (25 marks, 15 minutes)

They value their stock of biltong using the First In First Out (FIFO) method, and have decided to use the Weighted average method for the knives.

A unit consists of one knife or one kilogram of biltong.

The stock records for the latest financial year that ended on 29 February 2024 were as follows:

Biltong (Kilograms) – First In First Out (FIFO) method

(i) The business started the year with 6 400 kg of biltong that had cost them R544 000.

(ii) During the year, they purchased the following from local farmers:

	Number of kilograms	Cost per kilogram
Purchases during the year	20 000	
May 2023	13 000	R80
August 2023	3 000	R95
December 2023	4 000	R90

(iii) 500 kg purchased in May was returned to the supplier as it had not been ordered.

(iv) In August, 250 kg **of the May purchase** was thrown away as it had been incorrectly stored.

(v) The local farmers deliver the biltong to the storage warehouse for free.

(vi) During the year, 20 300 kg worth of biltong was sold at R250/kg.

Knives – Weighted Average Method

(i) The annual stocktaking figures for the knives were as follows:

	Number of knives	Total cost
Opening Stock (1 March 2023)	800	R140 000
Closing Stock (29 February 2024)	1 400	?

(ii) During the year, 600 knives that cost R180 each were returned to the various suppliers. In addition, 50 knives were stolen from the stores.

(iii) Total purchases for the year cost the business R2 502 500.

(iv) The total carriage on the knives for the year amounted to R18 350.

(v) Sales of 12 500 knives totalled R5 625 000.

QUESTION 1B VAT (12 marks, 7 minutes)

VAT is calculated at 15%

Bullah's Biltong's bookkeeper calculated that the business owed SARS R9 200 for the current VAT period. However, she had forgotten to record the following transactions for the period ending 29 February 2024.

70% of all purchases are **on credit** in order to receive a 6% trade discount.

1. Sales totalling R82 000 VAT exclusive.
2. A debtor was declared insolvent and the estate paid R2 760 which was 60c in the Rand, the remainder was written off as a bad debt.
3. The credit purchases for February before the trade discount was allowed, amounted to R350 000 VAT exclusive. The VAT on the credit purchases was not recorded.
4. A payment of R8 740 was made to a creditor, after a 5% settlement discount had been allowed.

QUESTION 2 COMPANY FINANCIAL STATEMENTS (69 marks, 41 minutes)

Information relating to Tatiana Traders Limited

Tatiana Traders Limited is a South African listed company with an authorised share capital of 10 000 000 ordinary shares. They source fabrics from local producers and sell them to the public from their various stores. In addition, they provide a sewing service that makes customised outfits.

They add a standard mark-up of 200% on the cost of all goods. Their latest financial year-end is 29 February 2024.

1. Extracted balances/totals from the Financial Statements on **28 February 2023**.

Balance Sheet Section	
Ordinary share capital (at R6,25 per share)	?
Retained income	R6 410 000
Shareholders for dividends (25c per share)	R1 875 000
Accrued expenses for February 2023 (Water & electricity)	R12 400

2. Extracted balances/totals from the Pre-adjustment Trial Balance for the year ended **29 February 2024**.

Balance Sheet Section	
Trading stock	R8 670 000
Debtors' control	R3 260 000
Provision for bad debts	R97 800
SARS (Income tax)	(Debit) R645 000
Loan: Mbali Bank (9% p.a.)	R750 000
Deposit received: Rent income	R24 000
Creditors control	R7 240 000
Nominal Accounts Section	
Sales	R37 900 500
Cost of sales	R12 571 000
Debtors' allowances	R187 500
Fee income (from sewing services)	R1 256 000
Directors' fees	R312 000
Ordinary share dividends	R1 612 500

Additional information relating to shares for the year ending 29 February 2024:

These transactions have been recorded.

31 May 2023: The company issued another 1 500 000 ordinary shares, raising a total of R11 175 000 in ordinary share capital.

31 December 2023: The company bought back 500 000 ordinary shares at 800 cents each from the estate of a deceased shareholder.

Additional information and adjustments that still need to be taken into account:

1. An amount of R14 000 is still owed by a customer for a number of outfits that were sewn for her in February 2024.

2. The bookkeeper had forgotten to reverse the accrued water and electricity expenses at the beginning of the year. The water and electricity account for February 2024 has been received and not yet paid. It was 25% more than the account for **February 2023**.

3. The business had forgotten to pay the 3-month advertising contract of R64 500 for the period January to March 2024. A payment was made on 27 February 2024 but had not yet been recorded.

4. The bank statement downloaded on 29 February 2024 revealed the following which still needs to be recorded:

   4.1 Bank charges of R890.
   4.2 The interest on the current account amounted to R3 200.
   4.3 A debtor had made a direct deposit of R7 500 to settle his account of R8 000. He was entitled to the discount.
   4.4 The company had incorrectly recorded the February 2024 debit order for insurance as R6 900 instead of R9 600.

5. Goods that would have been **sold** for R18 000 were returned to a credit supplier as they were damaged. The supplier charged Tatiana Traders Limited R150 for collecting the goods.

6. Provision for bad debts must be decreased to R95 200.

7. Rent income

   7.1 The tenant downsized their shop space and as such the rent was decreased by R1 750 per month from 1 November 2023. The rent is received one month in advance.

   7.2 An amount of R2 000 was refunded from the original deposit due to the decrease in rent. The payment has been made but not recorded.

8. The company has four directors, each of whom earn R100 000 in directors' fees each year. Not all directors have been paid in full as the bookkeeper was unsure of how to record the following: (no entries have been made)

    8.1 A director took stock with a cost price of R8 000 for her own use.

    8.2 An old vehicle with a book value of R30 000 was sold to a director for R35 000 cash.

9. In reconciling the annual stocktaking figures, it was discovered that:

    - Stock on hand R8 595 000.
    - Packing material worth R4 000 had been ordered and paid for but not yet delivered by the supplier.
    - Packing material **used** during the year amounted to R41 200.

10. The loan is repaid annually in **quarterly instalments** of R25 000 each.

11. A final dividend of R2 635 000 was declared on 29 February 2024 but was not yet paid.

12. After the income tax was calculated an amount of R309 000 was still owing to SARS.

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QUESTION 3 CASH FLOW STATEMENTS (43 marks, 26 minutes)

Information relating to Kanegoni Clothing Ltd

Kanegoni Clothing Ltd is a South African listed company with an authorised share capital of 5 000 000 shares. They trade in both local and imported traditional outfits.

1. Share information:
   - On 1 March 2023, the company had issued 80% of their authorised shares and raised R21 000 000 in ordinary share capital.
   - During the year they issued additional shares however, no shares were repurchased.

2. Extract from the Statement of comprehensive income (income statement) for the year ended 29 February 2024:

Sales	R9 800 000
Cost of sales	R3 875 000
Depreciation	?
Interest on loan	?

3. Extract from the Statement of financial position (balance sheet) as at:

	29 February 2024	**28 February 2023**
Shareholders' equity	R31 500 000	R26 400 000
Retained income	R6 600 000	R5 400 000
Fixed assets	R12 476 000	R10 325 000
Loan: Ariella Bank	R3 686 000	R2 800 000
Trading inventory	?	R1 827 500
Trade debtors	?	R3 800 000
Trade creditors	R7 124 000	R6 250 000
SARS (PAYE)	Credit R51 000	Credit R64 000
Income received in Advance (Rent)	R25 000	R23 000
SARS (Income Tax)	Debit R32 000	Credit R75 000
Shareholders for dividends	R805 000	R560 000

4. Additional information:

   4.1 **Taxation and Profit**
   - Income tax is calculated at 30% of the profit.
   - The total tax **paid** as per the cash flow statement for the year amounted to R1 247 000.

4.2 **Fixed Assets**

- During the year, the company sold an old vehicle for its book value of R525 000.
- The company purchased a new shop as well as the required equipment for R5 541 000.

4.3 **Loan and Interest**

- Interest on the loan is capitalised.
- A new loan for R1 450 000 was taken out in order to help fund the expansion.
- R68 000 was paid each month to cover the monthly repayments and the interest on the loan.

4.4 **Working capital**

- The trade and other receivables total decreased by R268 000.
- The company turns their stock over on average twice a year.

4.5 **Dividends**

- Total dividends (interim & final) both paid and declared for the year, R1 405 000.

QUESTION 4 MANUFACTURING & FIXED ASSETS (51 marks, 31 minutes)

Information for Part A and Part B relates to Moloantoa Motors

Moloantoa Motors manufactures an affordable gate motor for residential use.

- Their financial year-end is 29 February 2024.
- Their fixed assets consist of a number of delivery vehicles and manufacturing equipment.

PART A FIXED ASSETS (16 marks, 10 minutes)

Delivery vehicles

1. Additional transactions involving the delivery vehicles that took place during the year:

   (a) Traded in an old delivery vehicle on 1 September 2023 for R250 000. The vehicle originally cost R495 000 and had an accumulated depreciation on the vehicle on 1 March 2023 that amounted to R246 500.

   (b) The new vehicle was purchased on 1 September 2023.

2. Delivery vehicles are depreciated at 18% p.a. on the diminished balance method.

   Depreciation for the year ended 29 February 2024 was as follows:

   (a) Disposed of vehicle, R22 365

   (b) New vehicle, R74 250

   (c) Remaining (old) vehicles, R?

PART B MANUFACTURING (35 marks, 21 minutes)

Moloantoa Motors rents a total area of 800 m², of which the administration offices and sales department **each** occupy 150 m² and the rest is used by the factory.

1. **Extracted balances on:**

	29 February 2024	28 February 2023
Raw materials	925 000	750 000
Work-in-progress	1 870 000	1 240 000
Finished goods	?	2 125 000
Consumable stores	7 500	9 000

2. The total cost of production after all adjustments have been taken into account amounted to R19 625 000.
3. A total of 15 100 units were produced during the year.
4. The total sales for the year amounted to R31 500 000 (Cost of sales, R18 000 000).

5. **General Expenses**

(a) The following totals were extracted from the pre-adjustment trial balance on 29 February 2024:

Water & electricity	R132 000
Insurance	R96 000
Security costs	R104 800

(b) The water and electricity account for February 2024 has been received and not yet paid, R18 000. This is allocated to the factory, administrative department and the sales offices on a 8:4:3 ratio respectively.

(c) The insurance premium is subject to an annual 8% increase on 1 January each year. The full year's premiums have been paid however, the company forgot to pay the increase. Half the insurance is allocated to the production process.

(d) Security costs are allocated according to the floor space used.

(e) Depreciation on the manufacturing equipment was calculated on the production unit cost method. Depreciation per unit was calculated to be R90.

6. **Indirect materials**

(a) Consumable stores purchased during the year, R62 500.

(b) 75% of all consumable stores are used in the factory. The rest were used in the administration office.

7. **Labour costs**

(a) The total gross wages for the factory supervisors (indirect labour) and cleaners amounted to R3 400 000. No overtime was claimed or paid. Total contributions amounted to R306 000.

(b) The factory employs 125 workers (direct labour) to manufacture the motors. Each worker takes home R52 800 **per year**, after total annual deductions for PAYE, pension, UIF and medical of R27 200 have been made. The company contributes a total of 9% of the normal time earnings to all workers for pension and UIF.

(c) A total of R408 550 was paid in overtime to the factory workers.

Total: 200 marks