



NATIONAL SENIOR CERTIFICATE EXAMINATION
NOVEMBER 2014

ACCOUNTING: PAPER I

EXAMINATION NUMBER

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Time: 2 hours

200 marks

PLEASE READ THE FOLLOWING INSTRUCTIONS CAREFULLY

1. This question paper consists of 13 pages and an Information Booklet of 8 (i to viii) pages with a Ratio Sheet on page i. Please check that your question paper is complete.
2. Read the questions carefully.
3. Answer the questions in the space provided.
4. It is in your own interest to write legibly and present your work neatly.
5. You may **not** use red or green ink. **You may use a pencil, but please use a soft, dark pencil.**
6. All calculations should be rounded off to **two decimal places**.
7. It is essential that all working details be shown **in order to earn part marks**.
8. The allocation of marks and appropriate time to be taken for each question are as follows:

	Possible marks	Actual marks	Marker signature	Moderator signature
Question 1: Company Concepts and Financials (34 minutes)	61			
Question 2: Cash Flow Statements (32 minutes)	48			
Question 3: Asset Management (28 minutes)	46			
Question 4: Manufacturing (26 minutes)	45			
TOTAL	200			Checker

QUESTION 1 COMPANY CONCEPTS AND FINANCIALS (61 marks; 34 minutes)

Refer to the Information Booklet for information relating to Ziyaduma Ltd.

This question consists of 3 parts, and each part must be seen independently of the others.

PART A: FILL IN THE MISSING WORDS

1.1

1.	
2.	
3.	
4.	
5.	

(5)

PART B: ACCOUNTING EQUATION

1.2 Analyse the transactions given in your Information Booklet under the following Accounting Equation. (Only the + or – signs need to be shown under the Assets, Owner's Equity and Liabilities)

Example: Rent for the year was paid, R120 000

Transaction	Account Debit	Account Credit	Assets	Owners' Equity	Liabilities
Example	Rent Expense	Bank	–	–	0
1					
2					
3					

(12)

PART C: NOTES TO THE FINANCIAL STATEMENTS

1.3 Complete the following notes to the financial statements of Ziyaduma Ltd.

Ziyaduma Ltd
Notes to the financial statements as at 31 October 2014

Note 3: Tangible Assets

	Property	Equipment
Carrying value at the beginning of the year	3 500 000	120 000
Cost price at the beginning of the year	3 500 000	
Accumulated depreciation at the beginning of the year		(280 000)
MOVEMENTS		
Additions at cost price		
Disposals at carrying value		
Carrying value at the end of the year	4 250 000	
Cost at the end of the year		
Accumulated depreciation at the end of the year		(13 000)

(14)

Note 7: Issued Share Capital

Ordinary shares at 60 cents per share at the beginning of the year	1 800 000
Ordinary shares at ? cents per share during the year	
(50 000) Ordinary shares repurchased during the year at 70 cents per share	()
Ordinary shares in issue at the end of the year	

(7)

Note 9: Trade and other payables

Trade creditors (153 000	
Expenses accrued	
SARS – VAT (17 920	
SARS – PAYE (14 208	
Medical aid fund (5 471	
UIF (1 156	

(23)

61

QUESTION 2 CASH FLOW STATEMENTS

(48 marks; 32 minutes)

Refer to the Information Booklet for information and the Cash Flow Statement relating to Promet Limited.

2.1 Calculate the interim dividend paid during the year ended 31 October 2014.

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(3)

2.2 Explain why there is such a big difference between the interim and final dividend.

(2)

2.3 Calculate the Net Income before Tax figure for the year ended 31 October 2014.

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(6)

2.4 Refer to information 5 on page (v) of the Information Booklet. Calculate the missing figures represented by letters in the Cash Flow Statement and the Cash and Cash Equivalent note.

Answer skeleton:

Write the answers that correspond with the letters in the allocated space. Show your calculations so part marks can be awarded.

A	
B	
C	
D	

E	
F	
G	
H	
I	
J	
K	
L	

(26)

2.5 Having assessed the dividend pay-out and the cash flow position of Promet Limited, a potential investor Marc Jacobs wants to buy shares. He is a little concerned about the return that he will get if he invests.

2.5.1 Calculate the Average Return on Shareholders' Equity for 2014.

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(5)

2.5.2 Comment on the return calculated above. The Average Return on Shareholders' Equity for 2013 was 17,25%.

(3)

- 2.6 Promet Limited has decided that they will not be issuing any further shares in 2015. However, they have budgeted to buy back 70 000 ordinary shares from their existing shareholders at a price of R12,50. The average share issue price is R11.

Refer to the three tables below. Analyse the effect that the buy back of shares would have on the 2015 cash flow statement. Place an X over the correct response in each table.

Section affected in cash flow statement	Operating Activities	Investing Activities	Financing Activities
Inflow or outflow of cash	Inflow	Outflow	No effect
Amount	R770 000	R875 000	R105 000

(3)

48

QUESTION 3 ASSET MANAGEMENT

(46 marks; 28 minutes)

Refer to the Information Booklet for information relating to Spectrum Bottles.

3.1 Answer the following multiple choice questions by placing an X over the letter that corresponds to your answer.

3.1.1 How many plastic water bottles were available to sell during the year?

- A 35 000
 - B 23 500
 - C 37 000
- (2)

3.1.2 How many plastic bottles were unsold at the end of the year?

- A 11 500
 - B 23 500
 - C 13 500
- (2)

3.1.3 What was the value of the closing stock of plastic bottles at the end of the year?

- A R313 000
 - B R312 250
 - C R313 250
- (2)

3.2 Grant Smith, the owner, is very concerned about the sales of **glass water bottles**, and is considering discontinuing supplying them.

3.2.1 Calculate the value of the closing stock of the glass bottles on 31st October 2014.

(3)

3.2.2 Calculate the cost of sales of the glass bottles for the year ended 31st October 2014.

(6)

3.2.3 Calculate the stock turnover rate for glass bottles for the year.

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(4)

3.2.4 Calculate the mark-up achieved for the sale of glass bottles.

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(4)

3.2.5 Give **three** reasons why Grant should consider discontinuing the sale of glass water bottles and one reason in support of continuing to sell them.

(6)

3.3 Spectrum Bottles aims to achieve a 75% mark-up on the sale of their plastic water bottles. The actual mark-up achieved was 67%. What should the internal auditor investigate in this regard? Give one example of audit evidence and explain what this audit evidence could reveal.

Audit evidence:
Explanation:

(2)

3.4 The business is a registered VAT vendor and uses the invoice basis to record VAT which is charged at 14%. The following source documents reflect all transactions affecting VAT that took place at Spectrum Bottles during the financial year. Calculate the missing figures indicated by a (?) and then analyse the effect of the VAT amount by using a (+) or a (-) on the VAT owed to SARS.

Source documents	VAT exclusive	VAT	VAT inclusive	VAT Control
Invoices issued to customers	R952 000	?	?	?
Invoices received from suppliers		?	R1 415 880	?
Credit notes received from suppliers	?	R9 240	R75 240	?
Journal voucher – bad debts written off	R15 600	?	R17 784	?
Journal voucher – plastic water bottles taken as drawings	?	R252	?	?

(12)

3.5 Spectrum Bottles had two large credit sales during October 2014. The owner has insisted that the bookkeeper not record the invoices or the VAT on these two sales until the debtors pay. His reason for this delay is that the payment to SARS for VAT is due at the end of November, and the business is not in a sound cash flow position. He does not want that bank account to go into overdraft which will attract interest. The bookkeeper is refusing to do this, and insists that both the invoices and the VAT must be recorded and paid.

Explain whether this request by the owner is ethical. Justify your answer.

(3)

QUESTION 4 MANUFACTURING

(45 marks; 26 minutes)

Refer to the information in the Information Booklet relating to Health Nut Manufacturers.

4.1 Complete the following notes to the Production Cost Statement for the year ended 31 August 2014.

**Health Nut Manufacturers
Notes to the Production Cost Statement for the year ended 31 August 2014**

Note 1: Raw materials

Opening stock of raw materials	
Net purchases of raw materials	
Carriage on raw materials	
Closing stock of raw materials	

(8)

Note 3: Factory overheads

(15)

Note 4: Selling and distribution

Telephone	23 440
Salesman's salary	180 000
Rent expense (34 800)	

(8)

4.2 Calculate the direct labour cost per unit for the year.

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(2)

4.3 The budgeted direct labour cost per unit for the 2014 financial year was 23 cents per unit. The owner is very unhappy about the unfavourable variance for the year.

Explain two controls that could be implemented to get the direct labour costs back to expected levels.

(4)

4.4 The owner discovered that his supplier is using an illegal preservative, thought to cause illness, on the dried fruit used in the manufacture of the health bars. An alternate supplier can supply the same product using a legal preservative, but the new cost of raw materials will increase the total overall direct material cost by 15% if this supplier is used.

The owner feels he can rectify the negative variance in the direct labour cost, but has promised the workers an 8% increase for the next financial year.

Calculate the cost of production per unit for 2015 if Health Nut Manufacturers changes suppliers and implements plans for wages. Assume no changes in overheads will occur.

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(4)

4.5 The owner has decided after looking at the new figures not to change suppliers, but to plead ignorance if questioned about the illegal substance. His reason is that his competitor has just launched a new health bar that sells for R6,50.

Do you agree with his decision? Substantiate your answer by providing two explanations.

Yes/No?
Why?

(4)

45

Total: 200 marks