



NATIONAL SENIOR CERTIFICATE EXAMINATION  
NOVEMBER 2012

**ACCOUNTING: PAPER I**  
**MARKING GUIDELINES**

Time: 2 hours

200 marks

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**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.**

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**QUESTION 1 MANUFACTURING**

1.1

**Kagisa Manufacturers  
Production Cost Statement for the year ended 31 August 2012**

Prime costs		411 100
Direct materials/Raw Materials (46 700 + 280 000 – 7 500 + 2 100 – 39 200)	1.	282 100
Direct labour (Labour Linked to amount)	2.	129 000
Factory overheads	3.	217 000
Total cost of production		628 100
Work-in-progress at the beginning of the year		6 750
		634 850
Work-in-progress at the end of the year		(13 800)
Cost of production of finished goods	4.	621 050

(16)

**Kagisa Manufacturers  
Notes to the Production Cost Statement for the year ended 31 August 2012**

3. Factory Overheads

Indirect labour	58 900
Indirect materials	12 450
Insurance (R65 000 × 2/4)	32 500
Leasing costs (2 × R24 175)	48 350
Rent expense (R108 000 × 1 800/3 000)	64 800
	217 000

(7)

4. Finished Goods

Opening balance of finished goods	20 150
Cost of production of finished goods	621 050
Closing balance of finished goods	(15 300)
Cost of goods sold	625 900

(5)

1.2

$$R12,60 \times 35\,000 = R441\,000 - R217\,000 = R224\,000$$

$$12,60 - 6,20 = 6,40$$

$$6,40 \times 35\,000 = 224\,000$$

(5)

1.3

The owner needs to make more use of local resources. Source local suppliers of raw materials from timber farmers, they may be more expensive but transportation costs would be greatly reduced.

Local labour would be cheaper and also giving back to the community would be positive publicity which could in-turn increase customers and thereby sales.

By improving their corporate social responsibility and giving employment to the community in terms of the triple bottom line, they might attract more customers, BEE rating, etc.

Candidates who identify the need to use **local resources** to get benefit of marks versus those who ignore this issue and comment on finding a cheaper supplier of raw materials. Need to differentiate in marking.

Accepted – Competition related answers

Advertising (Max of 3)

Admin Costs (Max of 3)

Leasing vs Purchasing (need to mention Depreciation)

(4)

1.4

Potential problems related to low production can be foreseen and budgeted for in terms of contingency plans. Corrective action owing to low production can also be budgeted for.

Definition (max 1 mark)

Planning, Problem solving and corrective action)

(3)

**40 marks**

**QUESTION 2 FINANCIAL STATEMENTS**

2.1

**Techtron LTD**  
**Income Statement for the year ending 30 June 2012**

Sales (2 672 400 + 5 100)		2 677 500
Cost of sales (1 572 000 + 3 000)		(1 575 000)
Gross profit for the year		1 102 500
Other operating income		550
Provision for bad debts adjustment		550
Gross income for the year		1 103 050
Operating expenses		(557 300)
Audit fees		29 270
Directors' fees		170 200
Insurance (4 200 – 1 400)		2 800
Packing materials (6 000 – 2 520)		3 480
Bad Debts		1 200
Salaries (288 900 + 2 100)		291 000
Pension fund contributions (43 335 + 315)		43 650
Medical aid contributions		15 700
Operating income for the year		545 750
Interest income	1.	3 750
Profit before interest expense/finance costs		549 500
Interest expense	2.	(22 500)
Net income before taxation		527 000
Taxation		(210 800)
Net income after taxation		316 200

(26)

2.2

**4. INVENTORIES**

Trading stock (91 230 – 3 000)	88 230
Consumable stores on hand	2 520
	90 750 or 88 230

(4)

5. TRADE AND OTHER RECEIVABLES

Net trade debtors	46 696
Trade debtors (44 700 + 5 814 – 1 368)	49 146
Provision for bad debts (3 000 – 550)	(2 450)
Income Accrued	3 750
SARS – VAT (3 100 + 168 – 714)	2 554
Expenses prepaid	1 400
The consumable on hand	2 520
	54 400 OR 56 920

(14)

6. CASH AND CASH EQUIVALENTS

Bank (5 000 + 230 000)	235 000
Current portion of fixed deposit	75 000
	310 000

(5)

7. AUTHORISED SHARE CAPITAL

320 000 Ordinary value shares
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8. ISSUED SHARE CAPITAL

300 000 Ordinary shares at R11,50 per share	3 450 000
20 000 Ordinary shares at R11,50 per share	230 000
320 000 Ordinary shares at R11,50 per share	3 680 000

(5)

9. RETAINED INCOME/ACCUMULATED PROFIT

Balance on 1 July 2011	191 500
Net Profit after taxation	316 200
Ordinary share dividends	(59 700)
Paid	24 500
Declared	35 200
Balance on 30 June 2012	448 000

(10)

10. TRADE AND OTHER PAYABLES

Trade creditors	235 200
Expenses Accrued	15 500
Shareholders for dividends	35 200
SARS – Income Tax	9 600
Creditors for salaries (2 100 – 1 218 – 315)	567
SARS – PAYE (67 302 + 1 218)	68 520
Medical aid Fund	14 300
Pension Fund (26 560 + 315 + 315)	27 190
	406 077

(16)

**80 marks**

**QUESTION 3 CASH FLOW STATEMENTS**

3.1

$R1\ 000 + R39\ 625 - R1\ 525 = R39\ 100$
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(5)

3.2

Opening balance on 1 March 2011	5 100
Income Tax for the year (1 400 000 – 910 000)	490 000
Closing balance on 28 February 2012	2 100
	497 200

Accept calculations if candidates put the information in a different form.

(6)

3.3

Operating activities are the main function of a company in the broad sense. They are the main income earning activities of a company directly related to the main objectives of the company.
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(2)

3.4

$3\ 481\ 350 + 325\ 000 - 3\ 147\ 425 - 450\ 000 = 208\ 925$
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(5)

Questions 3.5 through to 3.11 are multiple choice type questions. Choose the most correct answer for each of the following. Mark an 'X' over the letter of your choice. **Refer to all the information provided for this question in the Information Booklet.**

3.5 The change in inventories for the year resulted in which of the following closing balances in the Trading stock account?

- A R98 700
- B R85 000
- C R71 300
- D R13 700

3.6 The net change in Cash and Cash equivalents for the year amounted to ...

- A R28 000
- B R21 350
- C R17 150
- D R28 350

3.7 The depreciation for the current year amounted to ...

- A R105 000
- B R78 000
- C R80 000
- D R140 000

- 3.8 The change in trade and other payables for the year resulted in which of the following changes in cash?
- A R132 000 inflow
  - B R128 600 outflow
  - C R132 400 inflow
  - D R130 500 inflow
- 3.9 Calculate the total dividends for the year.
- A R195 000
  - B R135 000
  - C R200 000
  - D R175 000
- 3.10 The interim dividend per share paid by Logistico Limited amounted to ...
- A 13 cents
  - B 25 cents
  - C 40 cents
  - D 37 cents
- 3.11 The Cash Flows from Investing activities as calculated in the Cash Flow Statement would have amounted to an outflow of ...
- A R480 000
  - B R505 000
  - C R525 000
  - D R595 000

<b>35 marks</b>
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**QUESTION 4 ASSET MANAGEMENT**

4.1

First in first out

(1)

4.2

The stock that is purchased first is sold first.  
Lower COS, Higher GP

(2)

4.3

FIFO method or weighted average

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FIFO method – They are discrete units so the cost price is easy to identify. Cost of sales will be lower than if weighted average method is used so gross profit and net profit will be higher therefore profitability looks good. More taxation on profit.  
Non-perishable/new ipads

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OR

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Weighted average method – Does not really matter in which order stock is sold – non-perishable items. Costs are averaged out over the units therefore initially a higher cost of sales and lower gross and net profit. Less taxation for the business.  
Lower GP

(7)

4.4

$$400 + \underbrace{[800 + 400 - 100 + 200]}_{1\ 300} - 250 = 1\ 450$$

(4)

4.5

$$50 \times R890 = R44\ 500$$

$$200 \times R900 = R180\ 000$$

Closing stock = R224 500

(3)

4.6

$400 \times R850 = R340\ 000$ $800 \times R875 = R700\ 000$ $250 \times R890 = R222\ 500$  Cost of Sales = R1 262 500	OR	<table style="margin-left: auto; margin-right: auto;"> <tr><td style="text-align: right;">R340 000</td></tr> <tr><td style="text-align: right;">+ R1 147 000</td></tr> <tr><td style="text-align: right;"><u>– R224 500</u></td></tr> <tr><td style="text-align: right;"><u>R1 262 500</u></td></tr> </table>	R340 000	+ R1 147 000	<u>– R224 500</u>	<u>R1 262 500</u>
R340 000						
+ R1 147 000						
<u>– R224 500</u>						
<u>R1 262 500</u>						

(4)



4.7

$$\frac{1\ 262\ 500}{\frac{1}{2}[340\ 000 + 224\ 500]}$$

$$= \frac{1\ 262\ 500}{282\ 250}$$

$$= 4,47 \text{ or } 4,5 \text{ times}$$

(4)

4.8

Yes, the rate of stock turnover increased from 3,24 times in 2011 to 4,5 times in 2012.

(3)

4.9

The aggressive marketing campaign that ran over the Christmas period was well timed and this may have resulted in more iPad cases being purchased as Christmas gifts. OR It is the Christmas period.

(2)

4.10

	<b>VEHICLES</b>
Carrying value at the beginning of the year	496 000
Cost	680 000
Accumulated depreciation	(184 000)
<b>MOVEMENTS</b>	
Additions	270 000
Disposals (170 000 – [104 000 + 7 425] )	(58 575)
Depreciation (7 425 + 64 500 + 10 125)	(82 050)
Carrying value at the end of the year	625 375
Cost	780 000
Accumulated depreciation	(154 625)

(15)

**45 marks**

**Total: 200 marks**