



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 10 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 one decimal place.
7. 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: Manufacturing (25 minutes)	40			
Question 2: Financial Statements (45 minutes)	80			
Question 3: Cash Flow Statements (25 minutes)	35			
Question 4: Asset Management (25 minutes)	45			
TOTAL	200			Checker

QUESTION 1 MANUFACTURING (40 marks, 25 minutes)

Refer to the Information Booklet for information relating to the accounting records of Kagisa Manufacturers.

Required:

- 1.1 Complete the Production Cost Statement together with the factory overheads and finished goods note for the year ended 31 August 2012.

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

Prime Costs		
	1.	
	2.	
Factory overheads	3.	
Total cost of production		
Work-in-progress at the beginning of the year		
Work-in-progress at the end of the year		
Cost of production of finished goods	4.	

(16)

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

3. Factory Overheads

(7)

4. Cost of Finished Goods sold

Opening balance of finished goods	
Closing balance of finished goods	
Cost of finished goods sold	

(5)

1.2 Calculate the administration costs for the year ended 31 August 2012.

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(5)

1.3 Provide the owner of Kagisa Manufacturers with a viable solution to the problem of decreasing profits and briefly explain how your solution would assist to increase profitability.

(4)

1.4 In budgeting for 2013, Kagisa Manufacturer's cost accountant calculated an **expected** break-even point. Explain briefly why it would be important to do this before the actual start of the 2013 financial year.

(3)

QUESTION 2 FINANCIAL STATEMENTS (80 marks, 45 minutes)

Refer to the Information Booklet for information relating to the accounting records of Techtron LTD as at their financial year end 30 June 2012.

Required:

2.1

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

Sales (2 672 400)		
Cost of sales (1 572 000)		
Gross profit for the year		
Other operating income		
Gross income for the year		
Operating expenses		
Audit fees		29 270
Directors' fees		170 200
Insurance (4 200)		
Packing materials (6 000)		
Bad debts		
Medical aid contributions		15 700
Salaries (288 900)		
Pension fund contributions (43 335)		
Operating income for the year		
Interest income	1.	
Profit before interest expense/finance costs		
Interest expense	2.	
Net income before taxation		
Taxation		
Net income after taxation		

(26)

2.2 Complete the following notes to the Balance Sheet of Techtron LTD.

**Techtron LTD
Notes to the Balance Sheet as at 30 June 2012**

4. INVENTORIES

Trading stock (91 230)	
Consumable stores on hand	

(4)

QUESTION 3 CASH FLOW STATEMENTS (35 marks, 25 minutes)

Refer to the Information Booklet for information relating to the accounting records of Logistico Limited for the year ended 29 February 2012.

Required:

3.1 Calculate the interest on loan **paid** for the year. Show your working clearly.

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(5)

3.2 Complete the note for Income Tax paid as it would appear in the Cash Flow Statement on 29 February 2012.

(6)

3.3 Explain briefly what is meant by the term 'Operating Activities' as it relates to Cash Flow Statements.

(2)

3.4 Calculate the cash flows from financing activities for the year ended 29 February 2012.

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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

(17)

QUESTION 4 ASSET MANAGEMENT (45 marks, 25 minutes)

Refer to the Information Booklet for information relating to the accounting records of Leatief LTD.

Required:

4.1 The cartoon in this question represents the stock system used by Leatief LTD. What does FIFO stand for?

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(1)

4.2 Briefly explain the features of this stock system.

(2)

4.3 Refer to point number 4 in the Information Booklet and evaluate which method you think would be the most suitable for Leatief Ltd. Provide two reasons in support of your choice.

Stock valuation method chosen:
Justification:

(7)

4.4 Calculate the number of units sold during the financial year.

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(4)

4.5 Using the FIFO method, calculate the value of closing stock as at 31 October 2012.

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(3)

4.6 Using the FIFO method, calculate the Cost of Sales for the year.

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(4)

4.7 Calculate the stock turnover rate for 2012.

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(4)

4.8 Have the initiatives introduced during the year been effective? Substantiate your answer.

(3)

4.9 Why do you think that the timing of the marketing campaign was an important factor of its success?

(2)

4.10 Complete the tangible asset note as it would appear in the Balance Sheet on the 31 October 2012. **Show all calculations in brackets so that part marks can be awarded.**

	VEHICLES
Carrying value at the beginning of the year	
Cost	680 000
Accumulated depreciation	(184 000)
MOVEMENTS	
Additions	270 000
Disposals (
Depreciation (
Carrying value at the end of the year	
Cost	
Accumulated depreciation	(154 625)

(15)

45

Total: 200 marks