NATIONAL SENIOR CERTIFICATE EXAMINATION
NOVEMBER 2013

ACCOUNTING: PAPER I

Time: 2 hours | 200 marks

INFORMATION BOOKLET

$\frac{\text{Gross Profit}}{\text{Sales}} \times \frac{100}{1}$	$\frac{\text{Gross Profit}}{\text{Cost of sales}} \times \frac{100}{1}$	$\frac{\text{Net Profit}}{\text{Sales}} \times \frac{100}{1}$
$\frac{\text{Operating expenses}}{\text{Sales}} \times \frac{100}{1}$	$\frac{\text{Operating profit}}{\text{Sales}} \times \frac{100}{1}$	$\frac{\text{Operating profit}}{\text{Cost of sales}} \times \frac{100}{1}$
$\frac{\text{Net profit after tax}}{\text{Average shareholders' equity}} \times \frac{100}{1}$	$\frac{\text{Net profit before tax + interest expense}}{\text{Average capital employed}} \times \frac{100}{1}$	
Current assets : Current liabilities	(Current assets − inventories) : Current liabilities	
$\frac{\text{Average debtors}}{\text{Credit sales}} \times \frac{365 \text{ or } 12}{1}$	$\frac{\text{Average creditors}}{\text{Credit purchases}} \times \frac{365 \text{ or } 12}{1}$	$\frac{\text{Cost of sales}}{\text{Average inventories}}$
$\frac{\text{Average inventories}}{\text{Cost of sales}} \times \frac{365 \text{ or } 12}{1}$	$\frac{\text{Closing inventories}}{\text{Cost of sales}} \times \frac{365 \text{ or } 12}{1}$	Current assets − Current liabilities
Non-current liabilities : Shareholders' equity	Total assets : Total liabilities	
$\frac{\text{Profit after tax}}{\text{No. shares in issue}}$	$\frac{\text{Ordinary share dividends}}{\text{No. shares in issue}}$	
$\frac{\text{Fixed cost}}{\text{(selling price per unit − variable cost per unit)}}$	$\frac{\text{Total ordinary shareholders' equity}}{\text{No. shares in issue}}$	

QUESTION 1 ASSET MANAGEMENT

Information relating to Netlogic

Netlogic specialises in the retail of laptop computers. The business's year-end is the 31 December, they use the weighted average method to value their inventory, and the periodic stock system to record their inventory. The business is a registered VAT vendor, and they pay VAT **every two months**. They paid the amount owing for September and October on 25 November 2012. Their next payment is due on the 25 January 2013.

A. INVENTORY

1. The following stock balances were recorded in the books of the business:

	No. of units	**Price per unit**	**Total**
1 January 2012	120	R1 900	R228 000
31 December 2012	?	?	?

2. Inventory purchases during the year:

	No. of units	**Price per unit**	**Total**
31 May 2012	29	R2 000	R58 000
31 August 2012	40	R2 225	R89 000
30 November 2012	60	R1 900	R114 000
10 December 2012	21	R2 300	R48 300
Totals	**150**		**R309 300**

3. All recorded prices for purchases of inventory (point 2 above) are **exclusive** of 14% VAT.

4. Other December purchases for which they can claim back VAT amounts to R51 300 including VAT.

5. The following sales (inclusive of 14% VAT) were recorded for the year.

January 2012 – October 2012	R191 862
November 2012 – December 2012	R163 134
Total sales including VAT	R354 996

6. 130 units were sold during the year.

B. TANGIBLE ASSETS

7. Netlogic has their own delivery vehicle which is used to collect stock from the suppliers as well as to deliver stock to customers. The following asset register relates to this delivery vehicle.

NETLOGIC ASSET REGISTER 1 – DELIVERY VEHICLE			
Description	Volkswagen Caddy – mini van		
Registration No.	NETECH – ZN		
Date purchased	1 September 2008		
Cost price	R150 000		
Method of depreciation	?		
Rate of depreciation	?		
Date	**Depreciation**	**Accumulated Depreciation**	**Carrying Value**
31 December 2008	R10 000	R10 000	R140 000
31 December 2009	R30 000	R40 000	R110 000
31 December 2010	R30 000	R70 000	R80 000
31 December 2011	R30 000	R100 000	R50 000
?	R17 500	R117 500	R32 500
Date traded-in	?		
Selling Price	?		

8. Additional information relating to the delivery vehicle.

- On average the Volkswagen Caddy travels 65 000 km per year.
- The running costs, excluding fuel costs, steadily increased from R12 000 for the year ended 31 December 2009 to R75 000 for the year ended 31 December 2011.
- The Volkswagen Caddy was traded-in at a profit of R4 375. A new model Volkswagen Caddy was purchased. Ignore any VAT for the asset disposal.

QUESTION 2 MANUFACTURING AND INVENTORY

Information relating to Ingivela iAfrika

Ingivela iAfrika specialises in the production of handcrafted ethnic tablecloths. They supply their product to various curio shops around South Africa. The business's financial year ends on the 30 September.

1. The business uses the FIFO method of stock valuation.

2. During the year ended 30 September 2013 they produced 8 080 tablecloths.

3. The following information relates to their raw materials during the year:

   3.1 Raw material balances:

	No. of metres	**Cost per metre**	**Total**
Opening stock of raw material	1 200 metres	R81	R97 200
Closing stock of raw material	3 400 metres	?	?

   3.2 Purchases of raw material:

	No. of metres	**Cost per metre**	**Total**
October 2012 purchases	5 500 metres	R80	R440 000
November 2012 purchases	8 000 metres	R86,50	R692 000
March 2013 purchases	2 000 metres	R84	R168 000
March 2013 purchases returned	(200 metres)	R84	(R16 800)
Totals	15 300 metres		R1 283 200

   3.3 Issued 13 100 metres of raw materials into the production process.

4. Information relating to labour costs for the year:

   4.1 There are two factory employees. They each work a total of 2 080 hours per year at a rate of R125/hour. They also worked a **combined** total of 280 hours overtime during the year for which they are remunerated at twice their standard rate. All factory employees are classified as wage earners.

   4.2 The general assistant was paid wages of R40 000 for the year. 75% of her time is spent cleaning the factory and the balance is spent assisting with the hand sewing of tablecloths.

   4.3 The business contributed 1% to the UIF for all employees.

5. The following balances were found in the accounting records:

	2013	**2012**
Work-in-progress	0	0
Finished goods	?	R260 000
Number of completed tablecloths on hand at year end	420	

6. The accountant provided the following analysis for the year:

	2013	2012
Total fixed costs	R126 per unit	
Factory Overheads cost per unit	?	R103 per unit
Administration cost per unit	R11 per unit	R10, 50 per unit
Variable costs		
Direct material cost per unit	?	R97 per unit
Direct labour cost per unit	?	R71 per unit
Total selling and distribution cost	R226 240	

7. Inflation averaged at 5,7% for the current financial year.

QUESTION 3 CASH FLOW STATEMENTS

Information relating to Investicon LTD

1. Extract from the Income Statement for the year ended 28 February 2013.

Cost of sales	R1 300 000
Interest on mortgage loan	R49 000
Depreciation	?
Net income after taxation	R294 000
Taxation for the year	R126 000

2. Extract from the Balance Sheet as at 28 February 2013.

	2013	**2012**
Ordinary share capital	?	R2 250 000
Ordinary share premium	0	0
Retained income	?	R500 000
Mortgage bond	R720 000	?
Tangible assets at carrying value	R2 350 000	R1 840 000
Inventory	R230 000	?
Debtors control	?	?
Creditors control	R135 000	R100 000
Shareholders for dividends	R75 000	R40 000
SARS – Income tax	R3 500 cr	R2 500 dr

3. Additional information for Questions 3.1 and 3.2.

- A building was purchased during the year.
- Equipment was sold at its carrying value during the year.
- The change in working capital for the current year amounted to an outflow of R17 200.
- The rate of stock turnover on 28 February 2013 was 6,5 times.
- The directors recommended a final dividend of 25 cents per share on 28 February 2013; all shares in issue qualified for this dividend.
- There were 225 000 ordinary shares in issue on 28 February 2012.
- New shares were issued on 1 March 2012 at a price of R10 per share.
- Interest on the loan is not capitalised.
- During the year a mortgage bond repayment of R312 000 was made.
- Investicon LTD also increased their mortgage bond during the year.
- The debt to equity ratio on 28 February 2012 was 0,3 : 1.

4. Additional information for Question 3.4.

- The return on total capital employed on 28 February 2013 was 12,26%.
- The interest rate on the mortgage bond is currently 10,5% p.a.

QUESTION 4 COMPANY FINANCIAL STATEMENTS

Information relating to Westek Limited

Westek Limited is a listed public company with an issued share capital of 900 000 ordinary shares. The company applies a mark-up of 80% on cost at all times.

A. Extract of the pre-adjustment trial balance on 30 June 2013.

	Debit	**Credit**
Ordinary share capital		1 937 000
Retained income (1 July 2012)		211 796
Land and buildings	2 450 000	
Vehicles	350 000	
Accumulated depreciation on vehicles		180 000
Shares in Sibiya Limited	125 000	
Loan: Stanric financiers (12% p.a.)		185 000
Debtors' control	70 610	
Provision for bad debts		2 780
Trading stock	66 400	
SARS – income tax	339 512	
Creditors control		43 250
Bank		127 000

B. Additional information, adjustments and corrections.

1. **After processing all the adjustments, including the ones listed below the correct net income before tax is R820 000.** Do not adjust it.

2. Interest on loan is calculated at 12% p.a. The loan was increased by R25 000 on the 1 June 2013, the increase was recorded. Interest for 2 months is still outstanding and a repayment of R30 000 will be made in the next financial year. Interest on the loan is not capitalised.

3. On investigation it was found that they had over depreciated vehicles by R1 500.

4. According to the bank statement, cheque no. 786 for R2 000 issued to a creditor has not been presented for payment at the bank as it was dated 10 July 2013.

5. Westek Limited rents out a furnished office. The rental is set at R2 400 per month. The rent income for the period 1 July 2012 to 31 March 2013 has been used for the upgrade of an existing storeroom. The balance of the rental income was deposited into the bank on 30 June 2013. No entries have been recorded yet for the upgrade or the amount received.

6. A debtor was declared insolvent, and his estate deposited R840 into Westek's bank account. This deposit represented 30 cents in the rand and has been recorded. The balance of his account needs to be written off.

7. A debtor with a credit balance of R1 600 must be transferred to the creditors' ledger.

8. A debtor returned stock with a selling price of R1 530, no entry was made to record this return.

9. Provision for bad debts must be adjusted to 5% of the outstanding debtors.

10. The stockroom manager was called to an urgent meeting with the directors, and in his haste he left the stockroom unlocked. Upon his return, he discovered that stock costing of R16 000 had been stolen. A claim was lodged with the insurance, and they will pay out 75% in July 2013.

11. The following information relates to consumable stores:
    - Consumable stores available during the year, R3 450
    - Consumable stores used during the year, R3 150

12. A trading stock deficit of R4 550 has not yet been recorded.

13. On the 30 June 2013, a vacant plot of land was sold at a profit of R10 000. On the same date the proceeds of the sale, R60 000, were transferred into the bank account. The profit was included in the net income, but no balance sheet entries have been made.

14. Included in the advertising cost for the year is a 12 month campaign that was launched on the 1 December 2012 at a cost of R43 200.

15. A director is still owed an amount of R10 000 in terms of his directors' fees for the year.

16. The following information relates to dividends at the end of the year:

Interim dividend paid	R72 000
Final dividend declared	14 cents per share

17. Income tax is calculated at 38% of the net income.