



NATIONAL SENIOR CERTIFICATE EXAMINATION
NOVEMBER 2014

ACCOUNTING: PAPER I
MARKING GUIDELINES

Time: 2 hours

200 marks

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.

QUESTION 1 COMPANY CONCEPTS AND FINANCIALS

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:

1.1

1.	Qualified
2.	Risk
3.	SAICA
4.	Fair presentation
5.	Solvency

(5)

PART B: ACCOUNTING EQUATION

1.2 Analyse the transactions given in your Information Booklet under the following Accounting Equation.

Example: Rent for the year was paid, R120 000

Transaction	Account Debit	Account Credit	Assets	Owners' Equity	Liabilities
Example	Rent Expense	Bank	–	–	0
1	Expenses Prepaid Directors fees Directors fees	Directors' fees Bank Prepaid expenses	+	+	
2	Income Tax	SARS – Income Tax	–	–	
3	Shareholders for dividends	Bank/Bank overdraft	0	0	+/- or 0

Mark their analysis according to their Account debit and credit.

(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

	Plant	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	400 000
Accumulated depreciation at the beginning of the year	–	(280 000)
MOVEMENTS		
Additions at cost price	750 000	520 000
Disposals at carrying value 107 000 – 2 000 or 107 000 + 2 000. -1 if no brackets.		(105 000)
Depreciation for year (*15 000 + **13 000) if the figure is not in brackets check by inspection that it has been deducted. -1 if no brackets. * 400 000 – 280 000 x 15% x 10/12 = 15 000 ** 520 000 x 15% x 2/12 = 13000		(28 000)
Carrying value at the end of the year	4 250 000	507 000
Cost at the end of the year	4 250 000	520 000
Accumulated depreciation at the end of the year	–	(13 000)

(14)

Note 7: Issued Share Capital

3 000 000	Ordinary shares at 60 cents per share at the beginning of the year	1 800 000
600 000	Ordinary shares at 120 cents per share during the year	720 000
(50 000)	Ordinary shares repurchased during the year at 70 cents per share	(35 000)
3 550 000	Ordinary shares in issue at the end of the year	2 485 000

(7)

Note 9: Trade and other payables

Trade creditors (153 000 - 3 420)	149 580
Expenses accrued	35 000
SARS – VAT (17 920 + 420)	18 340
SARS – PAYE (14 208 – 648) <i>sign does not matter</i>	13 560
Medical aid fund (5 471 – 225) <i>both must be correct</i>	5 246
UIF (1 156 – 36 – 36) <i>sign does not matter</i>	1 084
SARS – Income Tax (1 832 500 – 1 790 000 ^{=870000+ 920 000})	42 500
Shareholders for dividends (994 000 – 639 000 <i>for subtracting the 639 000</i>)	355 000
Current portion of loan	11 000
	631 310

*Could accept the current portion of loan under trade creditors/expenses accrued
 Could accept Income Tax under trade creditors/expenses accrued
 35 000 for accrued expenses accepted anywhere if number is shown.*

(23)

61 marks

D	$R3\ 700\ 000 - R135\ 000 - x + R770\ 000 = R4\ 300\ 000$ $X = R35\ 000$ 170 000 600 000 735 000 <u>watch candidates working backwards</u> $-C + D = -E$ 0 $E - C = D$
E	$R770\ 000 - R35\ 000$ (must follow from D) = $R735\ 000$ $B + I - E = 185\ 500$ $C - D$
F	$R3\ 200\ 000 - R2\ 400\ 000 = R800\ 000$
G	$R1\ 200\ 000 + R110\ 000 - R181\ 800 + x = R1\ 278\ 200$ $X = R150\ 000$ 71 800 260 000 78 200 31 800 watch for candidates working backwards to find this as a balancing figure. $G = I + H - F$ Then no method mark allocated at [I] below.
H	$R181\ 800$ provided it is link to their answer in G $- R110\ 000 = R71\ 800$ $I = F + G - H$ or $H = F + G - I$ watch that this may be a balancing figure $15\ 150$ if applied in [G]
I	$R800\ 000 + R150\ 000 - R71\ 800$ must be subtracted in order to get the method mark = $R878\ 200$ Working backwards $F + G - H = I$ or $I = 185\ 500 + E - B$
J	$R5\ 000 + R2\ 000 = R7\ 000$
K	$R183\ 500 - R12\ 000 = R171\ 500$ 178 500 - 7 000 (J) $(L) - R12\ 000 = \dots$
L	$R185\ 500 - R2\ 000 = R183\ 500$ 171 500 + 12 000 = 183 500 / 12 000 $K + 12\ 000$

(26)

2.5

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

$\frac{R714\ 050 - R235\ 950}{[R2\ 520\ 000 + R3\ 439\ 050] / 2}$ $= \frac{478\ 100}{2\ 979\ 525} \times \frac{100}{1}$ $= 16,05\%$

(5)

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

Although the return is marginally lower than 2013 by 1,20% it is still better than Marc Jacobs would receive if he invested in an alternative investment like a fixed deposit that yields about 5,4% although the risk is higher if he invests in Promet Limited.

(3)

2.6

Section affected	Operating Activities	Investing Activities	Financing Activities X
Inflow or Outflow of cash	Inflow	Outflow X	No effect
Amount	R770 000	R875 000 X	R105 000

(3)

48 marks

QUESTION 3 ASSET MANAGEMENT

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 **If A**
 - 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 **If A**
 - 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 **If A**
 - 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.

$3\ 800 - 1\ 950 = 1\ 850$ $1\ 850 \times R39 = R72\ 150$ or $350 \times R39, 70 = R13\ 895$ $1\ 500 \times R42 = R63\ 000$

(3)

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

$(28\ 000 + 120\ 200) \div 3\ 800 = R39$ (mark in 3.2.1, transfer to 2) $1\ 950 \times R39 = R76\ 050$	OR	$28\ 000 + 120\ 200 - 72\ 150$ $(1\ 850 \times R39)$ $= R76\ 050$
--	-----------	---

(6)

3.4

Source document	VAT exclusive	VAT	VAT inclusive	VAT Control
Invoices issued to customers	R952 000	R133 280	R1 085 280	+ cr
Invoices received from suppliers		R173 880	R1 415 880	- dr ()
Credit notes received from suppliers	R66 000	R9 240	R75 240	+ cr
Journal voucher – bad debts recovered	R15 600	R2 184	R17 784	- dr ()
Journal voucher – plastic bottles taken as drawings	R1 800	R252	R2 052	+ cr

(12)

3.5

Not ethical. The invoices and the VAT must be recorded and paid – matching concept. The business uses the invoice basis to record their VAT, the owner now wants to use the receipt basis to record these purchases. **He is not being unethical** as he will still pay the VAT, but may be liable for a fine should SARS uncover this misrepresentation.

OR (could be both, for ethical/unethical – for explanation)

The business is getting the benefit of input VAT amounts before creditors are paid, so it cannot expect not to pay output VAT as this has already been invoiced, but not yet received from debtors.

(3)

46 marks

QUESTION 4 MANUFACTURING

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	96 000
Net purchases of raw materials (1 280 000 – 38 400)	1 241 600
Carriage on raw materials	23 400
Closing stock of raw materials (84 250 – 3 750)	(80 500)
<i>17500-13750</i>	
	1 280 500

(8)

Note 3: Factory overheads

Factory foreman's salary	222 000
<i>Variations – 666000 / 648000 if calculation is shown</i>	<i>Combined 240000</i>
Medical aid contributions	18 000
Indirect materials (3 800 + 76 800 – 1 400) × 65%	51 480
<i>2470 + 49920 - 1400</i>	<i>52320 (3800+49920-1400)</i>
Factory depreciation	25 600
Insurance (78 600 – 17 100) <i>–22 800 + 5700</i>	61 500
	<i>Given only if lower than 78600 – must subtract</i>
Factory rent (35 090 × 493/29 <i>or 17%</i>)	596 530
<i>Variations (701800 x 0.85) 493/580 34800 x 100/5 / 580/29 = 696000 + (696000 x 0.1 = 5800 85% / 5% 76560 = 696000 + 10% 1200 = 696000 / 580 591600 (696000 x 493/580) / 12 = 49300</i>	
	975 110 <input checked="" type="checkbox"/>

(15)

Note 4: Selling and distribution

Telephone	23 440
Salesman's salary	180 000
Rent expense (34 800 + 290)	35 090 <i>Must be adding</i>
Indirect materials (79 200 × 17,5%) OR 27 720/2 <i>See note 3</i>	13 860 <i>Inspect if ¼ of 51480</i>
Depreciation on delivery vehicle	86 400
Bad debts	16 210 <i>Balancing figure + or – accepted</i>
(25c × 1 420 000)	<u>355 000</u>

(8)

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

$$\frac{426\,000}{1\,420\,000}$$

$$= 30 \text{ cents per unit } \text{R0.30 } \text{R0.3}$$

(2)

4.3

Need to institute regular monthly calibration checks on the clock card machine so that if it has been tampered with it will be detected early. Train 2 factory foremen and rotate their duties on a monthly basis to ensure that irregularities can be detected and reported.

OR

Check calculation of clock card hours and check the accuracy of wages journal entries.

OR

Keep overtime hours under control by ensuring proper authorisation of overtime.

- Training of labourers to increase efficiency
- Implement daily quota of production
- Maintain machinery to improve efficiency
- Company wellness programme to reduce strikes / sickleave
- Stock maintenance

(4)

4.4

$$\frac{[R460\,080 (426\,000 \times 8\%) + 975\,110 + (1\,280\,500 \times 15\% = 1\,472\,575)]}{1\,420\,000}$$

975 110 from note 3

$$= \frac{2\,907\,765}{1\,420\,000}$$

= R2,05 must be divided by 1420000 inspect

(4)

4.5

Yes/No? No

Why?

- Risk of getting caught or a customer becoming ill from his product and the fine or cost of a law suit will cost the business a large sum of money.
- His unit cost at present is R1,89 and if he changes supplier that will increase to R2,05 which is a marginal 16 cents per bar increase. He is selling his health bars at R7 which gives him a large profit margin anyway. It would be better to take a cut in profit and obtain a reputation as an ethical business that in turn will attract more customers.

2 valid substantiations of yes answer.

IFRS transparency

Future legal claims

Lose customers

Go to jail (punitive consequence)

Destroy business / loss of profits

Reputation lose customer base

Unethical – why?

Unethical as it is illegal

(4)

45 marks

Total: 200 marks