



TOTAL MARKS

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NATIONAL SENIOR CERTIFICATE EXAMINATION
NOVEMBER 2019

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, an Information Booklet of 8 pages (i–viii) and a Formula Sheet of 1 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 to 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. 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: Inventory Control (21 minutes)	35			
Question 2: Financial Statements (40 minutes)	67			
Question 3: Cash Flow Statement (28 minutes)	46			
Question 4: Manufacturing and VAT (31 minutes)	52			
TOTAL	200			

QUESTION 1 INVENTORY CONTROL

[35 marks; 21 minutes]

Refer to the Information Booklet for information relating to ACTV LTD.

1.1 Calculate the rand value of the closing stock of silicone rings for the year ended 28 February 2019.

Closing stock of silicone rings (rands)

(6)

1.2 Calculate the number of units in closing stock for board games.

Closing stock of board games (units)

(4)

1.3 Calculate the cost of sales of the board games for the financial year.

Opening stock	
Cost of board games available to sell	
Less closing stock	
Cost of sales	

(12)

1.4 ACTV LTD aims to achieve a mark-up of 270% but only achieved an actual mark-up of 267%. Give two reasons why their mark-up was not achieved.

(2)

1.5 Chris is concerned that stock has been stolen from him and spends the last weekend of the financial year counting his stock. He finds no board games have been stolen, but counts only 6 005 rings. Calculate how many rings have been stolen.

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(2)

1.6 Both stock items are kept in the same room. Why do you think so many rings were stolen? Give one internal control measure which could be implemented to reduce the theft of rings. This measure should support your reason.

(3)

1.7 Due to the theft of stock, Chris is considering changing over to the perpetual inventory system. Would you support his decision? Give one reason to support your answer.

(3)

1.8 Chris sells the majority of his rings through a retailer for R49 per ring. He has subsequently seen his rings selling for R147 in the shops. He owns a website and is considering selling older rings which had been returned to him, directly from this website. He plans to sell rings for R100 each. Is this a good idea? Discuss the ethical implications this may have between Chris, the retailer and customers.

(3)

QUESTION 2 FINANCIAL STATEMENTS**[67 marks; 40 minutes]****Refer to the Information Booklet for information relating to BARR SURF LTD.****All workings need to be shown as part marks will be allocated to them.** The number of lines does not represent the number of entries required.

- 2.1 Complete the Statement of Comprehensive Income (Income Statement) for the year ending 28 February 2019.

BARR SURF LTD
Statement of Comprehensive Income for the year ending 28 February 2019

Net sales	
Other operating incomes	DO NOT CALCULATE
Rent Income (2 550	
Fee income (108 200	
Gross operating income	DO NOT CALCULATE
Operating expenses	(123 262)
Salaries (58 000	
UIF contributions (580	
Audit fees (4 200	
Insurance (15 000	
Sundry expenses	
Operating profit before interest	DO NOT CALCULATE
Interest income	0
Profit before interest expense	DO NOT CALCULATE
Interest expense (20 000	
Profit before taxation	DO NOT CALCULATE
Net profit after taxation	108 000

(30)

Calculations must be done in the boxes below.

Interest expense	Insurance
Trading stock deficit/surplus	Fee income

2.2 Complete the following notes to the financial statements as it would have appeared on 28 February 2019. All workings must be shown to be awarded part marks.

ORDINARY SHARE CAPITAL	AMOUNT
AUTHORISED: 1 000 000 ordinary shares	
ISSUED:	
625 000 Ordinary shares in issue at the start of year	2 000 000
_____ ordinary shares repurchased at _____ per share	
_____ ordinary shares at _____ in issue at the end of the year	

(6)

RETAINED INCOME	AMOUNT
Retained income at the start of the year	
Net profit/loss after tax for the year	
Repurchase of _____ shares at _____	
Retained income at the end of the year	

(11)

TRADE AND OTHER PAYABLES	AMOUNT
Trade creditors (53 000	
UIF (1 160	
SARS – PAYE (10 600	
	DO NOT CALCULATE

(16)

2.3 What financial indicators do the directors need to consider before buying shares back?

(2)

2.4 Inflation in South Africa is targeted between 3 and 6%. Yet insurance premiums for BARR SURF LTD have risen by 170%. Why do you think this is the case?

(2)

QUESTION 3 CASH FLOW STATEMENT

[46 marks; 28 minutes]

Refer to the Information Booklet for information relating to Bradley Bros Ltd.

3.1 Complete the reconciliation note between profit before taxation and cash generated from operations for the year ended 30 June 2019.

1. Reconciliation between profit before taxation and cash generated from operations	
• Profit before tax	
Adjustments in respect of:	
• Depreciation	
• Interest expense	
Operating profit before changes in working capital	
Changes in working capital:	
•	
•	
•	
Cash generated from operations	

(13)

Calculations must be done in the boxes below.

Profit before tax	Calculate trade and other payables
Depreciation	Inventory

(14)

3.2 Calculate the following amounts.

3.2.1 Tax paid

Workings	
Amount paid:	(4)

3.2.2 Interest paid

Workings	
Amount paid:	(4)

3.3 Calculate the cost price of the new vehicle bought on 1 July 2019.

Book value at beginning	
Book value at end	167 500

(7)

3.4 Complete the Cash Flows from Investing Activities section of the Cash Flow Statement for the year ended 30 June 2019.

CASH FLOWS FROM INVESTING ACTIVITIES	
Purchase of non-current assets	
Proceeds from disposal of non-current assets	

(4)

4.5 The directors of Couch Worx Ltd are concerned about their break-even analysis as well as their profitability. Explain using two reasons and supporting figures whether their concerns are valid.

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(4)

PART B VAT is calculated at 15%.

4.6 Show how the VAT control account will be affected by the transactions relating to Dusi Boets Ltd. You are required to only fill in amounts under either the debit or credit columns. Calculate how much is owed to/owed by SARS and show your selection by **circling** the correct block.

VAT CONTROL		
Debit	Credit	
Amount	Owed to SARS	Owed by SARS

(8)

52

Total: 200 marks