



NATIONAL SENIOR CERTIFICATE EXAMINATION
NOVEMBER 2018

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 MANUFACTURING**[62 marks; 37 minutes]****Refer to the Information Booklet for information relating to Hammond Huts.**

- 1.1 Complete the Tangible Asset Note as it would have appeared in the Statement of Financial Position as at 30 June 2018. You may use the calculation blocks below to show your workings, but write your final answer in the Note next to the question marks (?).

Vehicle depreciation calculations

New	Total
$300\,000 \times 15\% \times 3/12 \checkmark = 11\,250 \checkmark$ <div style="text-align: right;">(2)</div>	$1\,400\,000 \times 15\%$ $= 210\,000 \checkmark + 11\,250$ $= (221\,250) \checkmark$ <div style="text-align: right;">(2)</div>

(4)

Machinery depreciation calculations

Depreciation of old machinery sold	Depreciation of machinery not sold
$(700\,000 \checkmark - (270\,000 \checkmark - 33\,300 \checkmark)) \times 15\%$ $= 69\,495 (\checkmark)$ <div style="text-align: right;">(4)</div>	$(120\,000 - 18\,000 \checkmark - 15\,300 \checkmark)$ $86\,700 \times 4/12 \checkmark \times 15\% = 4\,335$ <div style="text-align: right;">(3)</div>
Total depreciation for year	Accumulated depreciation at end of year
$69\,495 \checkmark + 4\,335 \checkmark = 73\,830$ <div style="text-align: right;">(2)</div>	$270\,000 \checkmark + 73\,830 \checkmark - 37\,635 \checkmark$ $= 306\,195$ <div style="text-align: right;">(3)</div>

(12)

Disposal of machinery

Disposal
$120\,000 \checkmark - (18\,000 + 15\,300 + 4\,335 \checkmark) = 82\,365$

(2)

	Vehicles	Machinery
Carrying value on 1 July 2017	?980 000 \checkmark	550 000
Cost	1 400 000	?820 000 \checkmark
Accumulated depreciation	?(420 000) \checkmark	(270 000)
MOVEMENTS		
Additions	?300 000 \checkmark	–
Disposals (120 000 – 18 000 – 15 300 – 4 335)	–	(82 365) \checkmark
Depreciation	(221 250) \checkmark	(73 830) \checkmark
Carrying value on 30 June 2018	1 058 750 \checkmark	?393 805 \checkmark
Cost	1 700 000	?700 000 \checkmark
Accumulated depreciation	(641 250) \checkmark	?(306 195) \checkmark

(12)

1.2 Complete the Direct Labour Note as it would have appeared on 30 June 2018:

90 000 ✓✓ X 2 ✓ Wages (7 500 ✓ x 12 ✓ x 2 ✓)	180 000
42 800 ✓✓ 2/5 ✓ Bonus (25 680 ✓ x 5/3 ✓ x 2/5 ✓ (5/3+2/5=2/3 ✓✓))	17 120
Medical Aid Contributions (38 400 x 60% ✓ x 2 ✓)	46 080
UIF Contribution (180 000 <input checked="" type="checkbox"/> x 1% ✓)	1 800
	245 000

(11)

1.3 Complete the Factory Overheads Note as it would have appeared on 30 June 2018:

Indirect materials (14 500 ✓ + 20 700 ✓ – 17 200 ✓) x 4/9 ✓	8 000 <input checked="" type="checkbox"/>
Depreciation on machinery	*73 830 <input checked="" type="checkbox"/>
Insurance (4 680 ✓ x 3/12 ✓)	1 170 <input checked="" type="checkbox"/>
	83 000

(9)

1.4 Calculate the cost of finished goods produced during the year ended 30 June 2018:

Opening stock of finished goods	54 000 ✓
Cost of finished goods produced during the year (from PCS)	482 000 <input checked="" type="checkbox"/>
Closing stock of finished goods	(32 000) ✓
Cost of finished goods sold/cost of sales	504 000 ✓

(4)

1.5 Complete the Production Cost Statement for the year ended 30 June 2018:

Direct/Prime costs (860 x 400)	344 000 ✓
Direct materials (344 000 – 245 000)	99 000 <input checked="" type="checkbox"/>
Direct labour see 1.2	245 000 <input checked="" type="checkbox"/>
Factory overhead costs see 1.3	83 000 <input checked="" type="checkbox"/>
Total manufacturing costs	427 000 <input checked="" type="checkbox"/>
Work in progress (1 July 2017)	220 000 ✓
	647 000
Work in progress (30 June 2018) balancing amt. must be in brackets	(165 000) <input checked="" type="checkbox"/>
Cost of production of finished goods see 1.4	482 000 <input checked="" type="checkbox"/>

(8)

62 marks

QUESTION 2 FINANCIAL STATEMENTS**[62 marks; 37 minutes]****Refer to the Information Booklet for information relating to NDIV Limited.**

All workings need to be shown as part marks will be allocated to them. You may use the calculation blocks on the next page to show your workings, but your final answer must be written in the Statement of Comprehensive Income. 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 2018.

NDIV Limited

Statement of Comprehensive Income for the year ending 28 February 2018

Net sales (3 321 000 – 21 000 ✓)	3 300 000 <input checked="" type="checkbox"/>
Cost of sales (2 214 000 – 14 000 ✓) or 10 500	(2 200 000) <input checked="" type="checkbox"/>
Gross profit	1 100 000 <input checked="" type="checkbox"/>
Other operating incomes	DO NOT CALCULATE
• Rent income (146 944✓ – 12 544) ✓✓✓	134 400 <input checked="" type="checkbox"/>
• Discount received (3 300 – 700✓)	2 600 <input checked="" type="checkbox"/>
• Provision for bad debts adjusted or decreased in provision (4 100 – 3 925)	175 <input checked="" type="checkbox"/>
Gross operating income	DO NOT CALCULATE
Operating expenses	DO NOT CALCULATE
• Directors' fees	56 000
• Audit fees (30 000 +21 000 ✓)	51 000 <input checked="" type="checkbox"/>
• Consumable stores (14 600 – 4 500 ✓)	10 100✓
• Bad debts (1 500 + 6 500 ✓)	8 000 <input checked="" type="checkbox"/>
• Depreciation	19 255 ✓
Trading stock deficit	21 300 ✓✓✓✓✓
• Loss on sale of vehicle	3 479 ✓✓✓✓
• Stock loss (25 000 <input checked="" type="checkbox"/> × 40% ✓)	10 000 <input checked="" type="checkbox"/>
Operating profit before interest	DO NOT CALCULATE
Interest income	0
Profit before interest expense	DO NOT CALCULATE
Interest expense (30 000 + 4 375)	(34 375) <input checked="" type="checkbox"/>
Profit before taxation	DO NOT CALCULATE
• Taxation for the year	(302 000) ✓
Net profit after taxation	DO NOT CALCULATE

(25)

Calculations

Trading stock deficit	Interest expense
$(185\,000 \checkmark + 14\,000 \checkmark - 25\,000 \checkmark - 152\,700 \checkmark) = 21\,300$	$370\,000 \checkmark \times 3/12 \checkmark \times 10\%$ $= 9\,250$ $335\,000 \checkmark \times 9/12 \checkmark \times 10\%$ $= 25\,125$ $= (34\,375)$
Rent income	Profit/loss on sale of asset
$12 \times 100 = 1\,200$ $1 \times 112 = 112$ $= 1\,312$ $146\,944 \times \frac{112}{1\,312} = 12\,544 \checkmark \checkmark \checkmark$	$114\,000 \checkmark - 44\,521 \checkmark - 66\,000 \checkmark$ loss

(13)

- 2.2 Complete the following Notes to the Financial Statements as it would have appeared on 28 February 2018. All workings must be shown to be awarded part marks.

TRADE AND OTHER RECEIVABLES	AMOUNT
Net trade debtors	DO NOT CALCULATE
Trade debtors $(85\,000 \checkmark - 6\,500 \checkmark) + 66\,000$ car	$78\,500 \checkmark$ or $93\,500 \checkmark$
Provision for bad debts $(78\,500 \checkmark \times 5\% \checkmark)$ or $4\,100 \checkmark - 175 \checkmark$	$(3\,925) \checkmark$
Accrued income $(15\,000 \checkmark)$ or debtors for insurance)	15 000
SARS (income tax) $(310\,000 \checkmark - 302\,000 \checkmark)$ or + in trade and other payables)	8 000 \checkmark
	DO NOT CALCULATE
TRADE AND OTHER PAYABLES	AMOUNT
Trade creditors $(99\,000 + 3\,200) \checkmark$	$102\,200 \checkmark$
Income received in advance $(146\,944 - 34\,400)$	$12\,544 \checkmark$
Accrued expenses $(21\,000 \checkmark + 4\,375 \checkmark)$	25 375
Shareholders for dividends $(125\,000 \checkmark \times 58 \text{ c } \checkmark)$	$72\,500 \checkmark$
Short-term portion of loan \checkmark	$35\,000 \checkmark$
	DO NOT CALCULATE

(10)

(10)

- 2.3 Both audit fees and director fees are listed as expenses in the Statement of Comprehensive Income. What is the difference between the role of an auditor and the role of a director?

0	1	2
Learner does not know the role of an auditor or director.	Learner has described the role of either an auditor or a director.	Learners can clearly describe the difference between an auditor and a director.
Director: manages operations of a company. Draws up and presents financial statements.		
Auditor: checks financial statements. Reports on fair representation of financial statements.		

(2)

- 2.4 2.4.1 What was the interim dividend per share?

123 – 58 = 65 cents per share ✓

(1)

- 2.4.2 Give one reason why you think the final dividend was so much less than the interim dividend.

Profits were lower than expected ✓ or maybe historically they paid 58 cents and 65 cents per share for final and interim dividends.

(1)

62 marks

QUESTION 3 CASH FLOW STATEMENT**[43 marks; 26 minutes]****Refer to the Information Booklet for information relating to Stubar Ltd.**

- 3.1 Complete the Reconciliation Note between profit before taxation and cash generated from operations for the year of the Cash Flow Statement for the year ended 30 September 2018. You may use the calculation blocks below the Reconciliation Note to do your workings, but your final answer must be written in the Reconciliation Note.

1. Reconciliation between profit before taxation and cash generated from operations	
• Profit before tax (648 000 ✓ × 100/72 ✓)	900 000 <input checked="" type="checkbox"/>
Adjustments in respect of:	
• Depreciation	24 008 <input checked="" type="checkbox"/>
Interest expense (4 166 – 2 000 ✓) × 12 ✓	25 992 ✓
Operating profit before changes in working capital	950 000
Changes in working capital:	(16 727) <input checked="" type="checkbox"/> adding
• Decrease in inventory (345 000 – 310 000)	<input checked="" type="checkbox"/> ✓ 35 000
• Increase in trade and other receivables	(70 120) <input checked="" type="checkbox"/> ✓
• Increase in trade and other payables	18 393 <input checked="" type="checkbox"/> ✓
Cash generated from operations	933 273 <input checked="" type="checkbox"/>

(15)

Calculations

Calculate trade and other receivables	Calculate trade and other payables
(117 500 + 6 280 ✓) – (45 000 + 5 520 ✓ + 3 140 ✓) = 70 120	(107 000 + 4 840 ✓ + 3 333 ✓) – (91 000 + 3 225 ✓ + 2 555 ✓) = 18 393

(7)

- 3.2 Calculate the following amounts.

3.2.1 Dividends paid**Workings**

(120 000 + 30 000) ✓ × 7c ✓ = 10 500 ☒ interim
 120 000 + 30 000 – 20 000 × 12c = 15 600 final
 – 6 000 ✓ – 26 100 + 15 600

Amount paid: 16 500 ✓

(5)

3.2.2 Tax paid

Workings <div style="text-align: right;"> <input checked="" type="checkbox"/> [252 000 – 146 792 ✓ – (900 000 <input checked="" type="checkbox"/> – 648 000 ✓)] – 23 584 ✓ </div>
Amount paid: 422 376 <input checked="" type="checkbox"/>

(6)

- 3.3 Complete the Cash Flows from Financing Activities Section of the Cash Flow Statement for the year ended 30 September 2018.

CASH FLOWS FROM FINANCING ACTIVITIES	
Repayment of loan (2 000 ✓ × 12 ✓)	(24 000) <input checked="" type="checkbox"/>
Proceeds from loan (500 000 ✓ + 24 000 ✓ – 234 000 ✓)	290 000
Proceeds from issue of shares	174 000 ✓
Repurchase of shares 20 000 ✓ × R7,50 ✓✓	(150 000) <input checked="" type="checkbox"/>

(10)

43 marks

QUESTION 4 VAT AND INVENTORY**[33 marks; 20 minutes]****Refer to the Information Booklet for information relating to Shick Chicken.**

4.1 Calculate the rand value of the closing stock on 30 November 2018.

$320 + 1\,050 - 1\,150 = 220$ kgs
 the two quantities must add up to 220 ✓
 The two prices must be R85 and R82 ✓
 $110 \times 85 = R9\,350$ ✓ or $112 \times 85 = 9\,520$ ✓
 $110 \times 82 = R9\,020$ ✓ or $108 \times 82 = 8\,856$ ✓
 $R9\,350 + R9\,020 = R18\,370$ ✓
 Or $9\,520 + 8\,856 = R18\,430$ ✓

(5)

4.2 Calculate the cost of sales for the financial year.

Opening stock	20 480 ✓
Purchases $27\,360$ ✓ + $31\,200$ ✓ + $13\,120$ ✓ + $11\,050$ ✓ Or 164 drawings ✓✓ – 170 ✓✓ drawings – $1\,530$ ✓✓ ($18 \times R85$) returns	81 030
Less closing stock	(18 370) ✓
Cost of sales	83 140 ✓

(11)

4.3 Calculate the mark-up achieved by Shick Chicken for the financial year.

Sales: $1\,150 \times 99 = 113\,850$ ✓
 Cost of Sales: 83 140
 $113\,850 - 83\,140$ ✓ / $83\,140$ ✓ = $30\,710 / 83\,140 = 36,94\%$ ✓

(4)

4.4 Considering the type of product they buy and sell, which two stock control measures are absolutely essential in order to avoid possible legal action being taken against them?

- Must relate to frozen chickens ✓✓
- Discuss issues related to refrigeration ✓✓
- Policy of no returns on frozen chickens ✓✓
- The chicken must be kept frozen both in the business and in the transport process. ✓✓
- The "sell by" date must be indicated on all stock. ✓✓
- Labelling with correct ingredients or Halaal ✓✓
- Have back up generator in case of power failure ✓✓
- No tampering with weight ✓✓
- Do sample testing on quality. Must adhere to health and safety requirements ✓✓

(4)

- 4.5 Use only Information C to calculate VAT. Then circle if this is to be paid to SARS or received from SARS. (Some amounts might include cents.)

Calculations Check grouping						
Opening	sales	purchases	returns	drawings	Dis rec	Bad debts
– 3 100 ✓	+ 2 079 ✓	– 1 547 ✓	+ 214,20 ✓	+ 23,80 ✓	+ 448 ✓	– 140 ✓
= – 2 022						
Afrikaans scripts can have + 488 or – 488						
2 022 <input checked="" type="checkbox"/> owed by SARS (✓) depending on answer						
2 918 <input checked="" type="checkbox"/> for Afrikaans						

(9)

33 marks

Total: 200 marks