NATIONAL SENIOR CERTIFICATE EXAMINATION
NOVEMBER 2017

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

Refer to the Information Booklet for information relating to File Fanatics.

1.1 Complete the raw materials note as it would have appeared on 31 December 2017:

Opening stock	345 730
Purchases (2 100 000 – 19 359 mark given if figure seen) only if subtracted will lose method if amount is unrelated	2 080 641
Railage (191 900 – 9 595) loose mark if incorrect use of brackets	182 305
Closing stock loose mark if incorrect use of brackets	(435 400)
	DO NOT TOTAL

1.2 Complete the direct labour note as it would have appeared on 31 December 2017:

Wages (13 × (2 920 × 115) 335 800)	4 365 400
Bonus (4 365 400 × 7%)	305 578
UIF contribution If deduction is added they lose contribution mark	22 464
	DO NOT TOTAL

Bonus and wages may have been added together
4 670 978 or 4 955 366 or 4 431 518 =
4 103 476 =

1.3 Complete the factory overheads note as it would have appeared on 31 December 2017:

Depreciation on factory machinery	15 930
Indirect materials (15 400 + 187 200 – 12 600)	190 000
Factory foreman's salary 540 025 – 312 625)	227 400
Rent expense (409 500 × 3/6)	204 750
73 360 – 10 480 = 62 880 × 0.8 apportionment = 50 Insurance (73 360/14 × 12 = 62 880 × 80%)	50 304 Give if related to apportionment
Water and electricity (22 500 × 100/20 = 112 500 – (112 500 × 25%) – 14 375 112 500 – 28 125 = 84 375	70 000 Must show both subtractions
	DO NOT TOTAL

22 500 × 25% = 5 625
22 500 – 5 625 = 16 872
16 872 -14 375 = 2 500

4 marks if working is shown

1.4 The bookkeeper has incorrectly allocated the bad debts figure of R36 750. Into which note should bad debts have been recorded? Justify your answer by providing a reason.

NOTE	Selling and distribution note
REASON	Bad debts arise specifically from credit sales and therefore the cost of these needs to be borne by the sales department.

If reason relates to their note will get 1 out of 2
If reason "Sales" no mark

QUESTION 2 COMPANY FINANCIAL STATEMENTS

Refer to the Information Booklet for information relating to ITSIE LIMITED.

2.1 Complete the Statement of Comprehensive Income (Income Statement) for the year ending 30 June 2017:
Ignore brackets in Income Statement process

ITSIE LIMITED
Statement of Comprehensive Income for the year ending 30 June 2017

	30 June 2017	**30 June 2016**
	R	**R**
Net Sales (3 830 400 – 80 400)	3 750 000	
Less: Cost of Sales	(2 343 750)	Ignore brackets – less
Gross profit	**1 406 250**	
Other Operating Income	**DO NOT CALCULATE**	
Rent income (R50 000 × 9 = 450 000) + (R59 000 × 3 = R177 000)	627 000	600 000 618 000 708 000 924 000
Discount received	9 600	
Fee income	223 000	
Gross income for the year	**DO NOT CALCULATE**	
Operating expenses	(1 687 500) 1 723 680 (45% 3 830 400)	
Advertising (37 100 + [7 600/1,6 × 3 = 14 250]) **OR** [37 100 + (7 600 × 3) ×100/160]	51 350 59 900 (3 × SP)	
Audit fees	90 000	
Bank charges	11 400	
Debtors' allowances (80 400 – 80 400)	0	
Delivery expenses	145 000	
Discount allowed	29 350	
Lease on vehicle	161 000	
Salaries and wages	505 200	
Directors' fees	682 900	
Trading stock deficit (4 750 × 2) Check with advertising	9 500 If 15 200 (2 × SP of 7 600)	
Provision for bad debts adjustment	1 800	
Operating profit for the year	**DO NOT CALCULATE**	
Interest income	12 625	
Profit before interest expense	**DO NOT CALCULATE**	
Interest expense (33 000 + 50 375) Only as adjusting figure	(83 375) Method in adding	
Profit before taxation	507 600	
Taxation for the year	(170 250)	

Net profit after taxation (154 000/0,22 = 700 000 + 165 000) × 39 c	337 350

315 900
165 000 × .39c = 64 350
700 000 × .39c = 273 000

Interest $\underbrace{[600\ 000 \times 14\% \times 7/12}_{= 84\ 000} = 49\ 000] + \underbrace{[550\ 000 \times 15\% \times 5/12}_{= 82\ 500} = 34\ 375]$

2.2 Complete the Retained income note as it would have appeared in the notes to the Financial Statements as at 30 June 2017:

ITSIE LIMITED
Notes to the Financial Statements as at 30 June 2017

	30 June 2017
	R
RETAINED INCOME	
Balance as at 1 July 2016	302 500
Net income after tax not before tax	337 350
Repurchase of shares (55 000 × 1, 90)	(104 500) 95 000
Dividends for the year	(393 050)
Interim paid (400 000 – 154 000)	246 000
Final declared (700 000 + 165 000) × 17c	147 050 If 14 705 000 (865 000 × R17)
Balance as at 30 June 2017	142 300

Must show brackets

2.3 Complete the Current Assets section in the Statement of Financial Position (Balance Sheet) as at 30 June 2017:

ITSIE LIMITED
Statement of Financial Position as at 30 June 2017

	30 June 2017	**30 June 2016**
	R	**R**
CURRENT ASSETS	**DO NOT CALCULATE**	
Inventories	407 000	437 000
Trade and other receivables (337 500 × 1,25 – 152 000)	269 875	
Cash and cash equivalents	152 000	

If 421 875 (337 500 × 1,25)
185 000 (337 500 – 153 000)

QUESTION 3 CASH FLOW STATEMENTS

Refer to the Information Booklet for information relating to INGIVELA LIMITED.

3.1 Complete the Tangible Asset note as it would have appeared in the Statement of Financial Position as at 31 December 2017:

NOTE 3: TANGIBLE ASSETS

	Plant and Property	Vehicles	Machinery
Carrying value on 1 January 2017	3 000 000	700 000	645 000 ?
Cost	3 000 000	1 750 000	1 350 000
Accumulated depreciation	–	(1 050 000)	(705 000)
MOVEMENTS		Ignore brackets	
Additions	2 850 000 ?	450 000	225 000
Disposals 180 000 – 57 600 – 12 240	–	0	(110 160) ?
Depreciation (104 520 + 12 240 + 15 000)	–	(220 000)	(131 760) ?
Carrying value on 31 December 2017	5 850 000	930 000	**DO NOT CALCULATE**
Cost	5 850 000	2 200 000	1 395 000
Accumulated depreciation	–	(1 270 000)	(766 920) ?

Accuracy Method mark = brackets

If no information in note then award marks in calculation block due to ? being in the way

Calculation for depreciation (Alternate mark allocation for workings only.) 1350 + 225 – × =1 395 (180 000 – 57 600) = 122 400 × 20% × 6/12 = 12 240 sold new old 24 480 / 36 000 / 18 000 225 000 × 20% × 4/12 = 15 000 1 350 000 – 180 000 = 1 170 000 705 000 – 57 600 = 647 400 106 968 1 170 000 – 647 400 = 522 600 × 20% = 104 520 depr cal – disposal depreciation
Calculation for asset disposal 180 000 – (57 600 + 12 240 = 69 840) = 110 160 122 400 167 760

3.2 Calculate the **Cash generated from operations** as it would appear in the reconciliation of profit before taxation and cash generated from operations on 31 December 2017.

= 1 962 010 – 946 050 (1 463 550 – 517 500)
+ 315 900 (944 400 – 628 500) + 414 750 (656 700 + 13 050 OR = 669 750 – 247 500 – 7 500 OR (255 000)
656 700 – 247 500 = 409 200

= 1 746 610 Payables +/

3.3 Complete the Cash Flow Statement of INGIVELA LIMITED for the year ended 31 December 2017. Show all working detail in brackets.

INGIVELA LIMITED
Cash Flow Statement for the year ended 31 December 2017
No brackets no marks

Cash flows from operating activities	**DO NOT CALCULATE**
Cash generated from operations	1 746 610
Interest paid	(63 000)
Dividends paid (412 500 + (173 250 + 157 500)) – 157 500 -412 500 – 173 250 – 157 500 + 157 500	(585 750)
Taxation paid (494 830 – 53 550 – 26 100) -494 830 + 53 550 + 26 100 494 830 – 53 550 = 441 280 494 830 – 26 100 = 468 730 53 550 +26 100 = 79 650 53 550 – 26 100 = 27 450	(415 180)
Cash flows from investing activities	**DO NOT CALCULATE**
Purchase of non-current assets (3 525 000 + 375 000)	(3 900 000) (3 525 000)
Proceeds from the sale of non-current assets refer back	110 160
Cash flows from financing activities	**DO NOT CALCULATE**
Proceeds of share capital (475 000 × 4, 50)	2 137 500
Repurchase of shares	(134 500)
Proceeds of new loans (600 000 + 63 000 = 663 000 – 123 000 – 2 692 500) 663 000 – 123 000 = 540 000 600 000 – 123 000 = 477 000 123 000 – 63 000 = 60 000 600 000 – 2 692 500 = 2 095 500 663 000 – 123 100 – 2 692 500 = 1 906 500	2 152 500

Repayment of capital portion of loan (10 250 × 12 = 123 000) – 63 000	(60 000)
Net change in cash and cash equivalents	988 340
Cash and cash equivalents at the beginning of the year	(138 000) 165 000 – 27 000
Cash and cash equivalents at the end of the year	850 340

QUESTION 4 INVENTORY

Refer to the Information Booklet for information relating to Rhodes Cricket Supplies.

4.1 Provide one advantage of both the Periodic and Perpetual Inventory systems.

Advantage of the Periodic system: Simple, cheap It is a cost effective system as there is very little outlay for expensive equipment. Feasible for businesses where it is difficult to determine the cost price of a single item.
Advantage of the Perpetual system: GP can be determined Cost of sales is known Stock thefts are easily and quickly identified. Better control over stock
Alternative advantages will be marked.

4.2 A number of cricket bats were stolen during the November robbery. No entry has been made to account for this theft. Calculate the number of cricket bats stolen.

(1 100 + 15 000)= 16 100 – 2 650 = 13 450 – 13 430 = 20 bats stolen

4.3 Calculate the value of the closing stock of cricket bats.

2 650 × [14 409 500 (13 470 000 + 939 500)/ 16 100 (15 000 + 1 100) = 895] = 2 371 750 898 = 2 379 700

4.4 By calculating how long the **closing stock** will last (stock holding period) determine on **what date** the owner has to place his next order for cricket bats so as not to run out. The supplier takes 14 days to deliver after the order has been placed.

Calculation of stock holding period: Cost of sales [939 500 + 13 470 000 – 2 371 750] = 12 037 750 COS: ignore use of formula. Implied total if calculation in formula From 4.3 $\frac{2\ 371\ 750}{12\ 037\ 750} \times \frac{365}{1}$ 14 409 500 14 391 600 Or (895 × 13 430)= 12 019 850 + (20 × 895) = 17 900 =12 037 750 = 71, 9 days or 72 days
The order needs to be placed: From above 71, 9 days – 14 days = 57, 9 days January 31 days therefore the order needs to be placed on about the 27 February date correct to answer

4.5 Calculate the cost of sales for the cricket bags sold.

60 000 + 1 260 000 (1 000 × 1 260) + 1 417 500 (1 050 × 1 350) + 27 600 (20 × 1 380) = 2 765 100 **OR** 60 000 + [4 051 500 – 270 000 (200 × 1 350)] – 1 076 400 (780 × 1 380) = 2 765 100

4.6 Clive Rhodes, the owner, is concerned that the business is not achieving their intended mark-up on the sale of cricket bags. The business aims to achieve a mark-up of 60% at all times. Calculate the mark-up % achieved on the sale of cricket bags.

From 4.5 from 4.5 4 112 800 – 2 765 100 = 1 347 700/ 2 765 100 × 100/1 = 48, 74% If used mark-up formulae (GP/COS × 100 or Sales /COS × 100 – 100)

4.7 Provide (does not need to be explained) two reasons why the business has not achieved their intended mark-up on the sale of cricket bags.
Linked to 4.6. if actual is higher accept relevant answer
Do not accept: donations, drawings, deficits
Accept: damages, debtors allowances, different valuation method, loyalty programmes, error in processing selling price, cost price increasing but selling price stays the same

Reason 1: Too many cash discounts on the selling price granted to customers. May have been holding too much stock and need cash so sold below the intended mark-up%
Reason 2: Seasonal sales may have seen stock being sold at a lower price. They may be moving old stock to make room for new brands etc.

Total: 200 marks