



NATIONAL SENIOR CERTIFICATE EXAMINATION  
SUPPLEMENTARY EXAMINATION – MARCH 2019

**ACCOUNTING: PAPER I**

Time: 2 hours

200 marks

**INFORMATION BOOKLET**

**QUESTION 1      MANUFACTURING**

**(47 marks; 28 minutes)**

**PART A**

You are provided with information relating to Sprint Fast Manufacturers for the year ended 31 December 2018. The business is owned by Wade van Niekerk. The business manufactures one type of titanium-based athletics starting blocks. Sprint Fast Manufacturers uses a mark-up of 25%.

**INFORMATION**

1. Employees:

Sprint Fast employs 28 full-time workers and pays them a basic salary of R6 000 **per month**. This year they have had to work a total of 190 hours overtime each to keep up with the demand for their titanium starting blocks. The overtime rate is R85 per hour. All employees in the production process work the same number of overtime hours.

The company contributes to UIF at 1% of the normal wage. This is on a rand-for-rand basis to what is deducted from the employee's wage.

2. The following balances were found in the stock accounts:

	31 December 2018	1 January 2018
Raw-material stock	-	-
Work-in-progress stock	R110 000	R80 000
Indirect material (factory)	R7 550	R6 600
Finished-goods stock	R47 500	R55 000

3. Indirect material purchased during the year was R79 000. A debit note invoice for R4 200 was received in respect of indirect materials returned. This has not yet been recorded. Wade also made a donation of indirect material costing R900 during December. This has not been recorded.
4. The factory foreman is entitled to an annual salary of R156 000. This excludes his pension benefit of 10%. His medical aid is with Discovery and the total monthly payment is R3 700. The business pays 25% of the total payment to medical aid as the company's contribution.
5. Accounts appearing in the General Ledger on 31 December 2018:

Water and electricity	R52 000
Rent Expense	R76 000
Insurance	R30 800

- 25% of the water and electricity was used by the administration block, the rest was used by the factory.
- The rent is divided up according to the floor space.

	Factory	Administration	Sales
Floor Space	1 300 m	300 m	300 m

- Of the insurance amount of R30 800 in the ledger, R8 800 is for administration, selling and distribution. The remaining amount is for the factory. Insurance for December 2018 has not been paid or recorded.
  - Depreciation on the factory equipment was calculated to be R123 000.
6. The total sales of finished goods was R3 100 000

**PART B**

Lever Sleeves manufacture one type of iPad sleeve/cover for schools. All sleeves are branded with the school badge. The accountant prepared the following information for the year ended 28 February 2018.

**INFORMATION**

The iPad sleeves are produced to order. There is no work-in-progress balance at the end of the year.

All the factory and administrative costs are fixed. The factory overhead costs per unit remained constant at R108 from the previous financial year ended 28 February 2017, but the administration costs per unit increased from R51 to R54.

Selling and distribution costs are variable. They increased from R57 in the previous year to R60 in the financial year ended 28 February 2018. The direct material cost per unit also increased from R126 to R156 and the direct labour cost per unit decreased from R165 to R144.

The iPad sleeves are sold for R450. The selling price has been kept constant over the past two years. In 2017 Lever Sleeves had to manufacture 5 082 units to break even.

	2018	2017
Number of units produced	3 600	4 100

**QUESTION 2 CASH FLOW STATEMENT**

**(48 marks; 29 minutes)**

Outdoor Expo LTD sells outdoor camping equipment at a mark-up of 25%. On 30 November 2016 they had issued 4 000 000 shares. On 1 December 2017 they issued a further 400 000 shares.

**INFORMATION**

Extract from the Income Statement for the year ended 30 November 2018:

Net profit before tax	1 884 000
Net profit after tax	984 000
Depreciation	156 000

Extract from the Balance Sheet as at 30 November 2017:

		2018	2017
Non-current assets		3 683 250	3 503 250
Inventory		1 700 600	1 441 000
Trade and other receivables	Note 5	960 000	1 124 400
Cash and cash equivalents		173 950	-
Ordinary shareholders equity		4 674 000	4 224 000
Ordinary share capital		4 608 000	4 200 000
Retained income		66 000	24 000
Non-current liability: Loan: Standard Bank		640 000	700 000
Trade and other payables	Note 6	1 203 800	1 016 650
Bank overdraft		-	110 000

**ADDITIONAL INFORMATION:**

- Extracts from the notes to the financial statements on 30 November 2018:

**NOTE 5: Trade and other receivables**

	2018	2017
	R	R
Trade debtors	930 000	1 100 000
Prepaid expenses (Advertising)	21 000	20 000
SARS – Income tax	-	4 400
SARS – VAT	9 000	-
	960 000	1 124 400

**NOTE 6: Trade and other payables**

Trade creditors	829 400	741 400
Accrued expenses (Interest on Loans)	17 600	19 250
SARS (Income tax)	4 800	-
Shareholders for dividends	352 000	256 000
	1 203 800	1 016 650

2. The loan repayment was made on 1 June 2018. The interest rate on the loan is 11% p.a. (interest is not capitalised).
3. A shareholder passed away and the company decided to buy back his 20 000 shares at R1,25 per share. This transaction was processed on 26 November 2018.
4. Fixed/Tangible assets comprise of land and buildings and vehicles. Land and buildings were purchased during the year.

The only vehicle was sold at book value. The carrying value of the vehicle was R300 000 at the beginning of the financial year. Depreciation was calculated on cost for the full year, instead of the part year, at R156 000. The vehicle was sold on 30 September 2018.

5. Interim dividend of 14c per share was declared and paid on 30 May 2018.

**QUESTION 3 COMPANIES**

**(70 marks; 42 minutes)**

The following information refers to Greystone LTD.

The authorised share capital is 700 000 ordinary shares.

**INFORMATION**

A. Extract of balances and totals after adjustments have been made:

	28 Feb 2018	1 March 2017
Land and buildings	5 200 000	0
Vehicle (cost)	1 687 500	?
Accumulated depreciation on vehicles	?	1 350 000
Equipment (cost)	800 600	751 000
Accumulated depreciation on equipment	?	283 000
Ordinary share capital	?	5 848 000
Retained income	?	465 300
Creditors Control	206 500	74 800
Mortgage bond: Nedbank	1 170 250	0
Shareholders for dividends	?	186 600
SARS: Income tax	(cr) 30 100	(cr) 21 140
Accrued income	19 786	
Accrued expenses	113 175	
Income tax	281 400	
Ordinary share dividend (interim)	295 000	

B. Mortgage loan: Nedbank

- The loan was acquired on 1 April 2017, to purchase the new office block.
- The loan is to be repaid in equal instalments every month until it is paid off. The total loan repayment for the year ended 28 February 2018 was calculated to be R319 000.

C. Fixed assets:

- On 1 April 2017, the business acquired a mortgage loan of R5 200 000 to purchase an office block. This was their first purchase of land and buildings.
- On 1 March 2017, the vehicles account had the four delivery vehicles that had been purchased on 1 March 2013. The same price was paid for each of the four vehicles.
- On 1 November 2017, one of the vehicles was sold on credit at a loss of R12 600. No vehicles were purchased during the year.
- On 1 December 2017 the company purchased additional equipment. No equipment was sold during the year.
- Vehicles are depreciated at 15% p.a. on cost and equipment is depreciated at 20% p.a. on the diminished balance.

D. Share capital:

- On 1 March 2017, 70% of the authorised share capital was in issue.
- On 1 November 2017, 160 000 additional shares were issued at R11,51 per share.
- On 19 February 2018, the company re-purchased 50 000 ordinary shares from the estate of the late G. Gallagher. It was decided to offer to purchase at R16,00 per share, the offer was accepted by the estate of G. Gallagher and the money was paid from the bank account of the company.

E. Income tax was calculated at 28% of the net profit.

F. Dividends:

- A final dividend of 96 cents per share was declared by the auditors. All shareholders, including repurchased shares, were entitled to this dividend.

G. Salaries and wages:

An employee was left out of the Salaries Journal for February 2018. The details are as follows:

Gross Salary	Deductions			Contributions		Net Salary
	PAYE	UIF	Pension Fund	UIF	Pension Fund	
?	2 650	?	3 150	?	?	?

The employees contribute 7% of their gross salary to the pension fund and the employer 10%. The UIF deduction is 1% of their gross salary, this is equal to the amount contributed by the employer.

H. The company has paid their THREE directors R216 000 until 31 August 2017. All the directors earn the same monthly amount. A FOURTH director was appointed on 1 November 2017. It was decided that he would receive the same monthly remuneration as the other directors. His director's fees have also not yet been paid.

**QUESTION 4 INVENTORY AND VAT**

**(35 marks; 21 minutes)**

**PART A**

Balls and Bags for Africa is a company that provides rugby balls and promotional kit bags to schools throughout South Africa. The financial year-end of the business is 30 June 2018.

The business sells one type of rugby ball that can be branded for all school events as well as promotional events. The cost of the ball and the branding is set at a standard price.

The business uses the **periodic inventory system**. The **weighted average** method of stock valuation is used for rugby balls and the **FIFO** method is used for kit bags.

**INFORMATION**

**Inventory, purchases and sales**

<b>RUGBY BALLS – INVENTORY</b>			
Date	No. of units	Cost per unit	Total value
01/07/2017	?	R120	R432 000
31/06/2018	2 600	?	?
<b>RUGBY BALLS – PURCHASES</b>			
Date	No. of units	Cost per unit	Total value
30/07/2017	3 900	120	R468 000
30/10/2017	2 700	150	R405 000
31/01/2018	3 000	175	R525 000
30/04/2018	600	180	R108 000
	10 200		1 506 000

<b>RUGBY BALLS – SALES</b>	
Unit cost	Total sales
R320	R3 360 000

<b>RUGBY BALLS – FINANCIAL INDICATORS</b>	
Mark-up % on cost	48,5%
Stock turnover rate	3,9 times p.a.

- A total of R70 200 was paid for the carriage on the rugby balls for the year.
- Balls and Bags for Africa sponsored 200 rugby balls to an underprivileged school that was hosting a rugby festival at their school.



<b>KIT BAGS – INVENTORY</b>			
Date	No. of units	Cost per unit	Total value
01/07/2017	1 560	R260	405 600
31/06/2018	750	?	?
<b>KIT BAGS – PURCHASES</b>			
Date	No. of units	Cost per unit	Total value
30/07/2017	800	R200	R160 000
30/10/2017	1 800	R225	R405 000
31/01/2018	4 200	R225	R945 000
30/04/2018	300	R300	90 000

<b>KIT BAGS – SALES</b>	
7 910 units @ R300	R2 373 000

<b>KIT BAGS – FINANCIAL INDICATORS</b>	
Mark-up % on cost	?
Stock turnover rate	?

- The cost of carriage was included in the cost of the kit bags.

### **PART B (this DOES NOT relate to Part A)**

Information relating to Bling Girl Fashion Jewellery:

On 1 January 2018 Bling Girl Fashion Jewellery began trading, supplying various costume jewellery to retailers. The business uses a mark-up of 25% on cost at all times. The retailers that Bling Girl Fashion Jewellery supplies are all registered VAT vendors.

VAT is charged at 14%.

Bling Girl Fashion Jewellery is registered for VAT and uses the invoice basis to record its VAT transactions. The business submits a VAT return bimonthly; i.e. February, April, June, August, October and December.

Transactions and information relating to the two-month period ending 30 June 2018:

VAT output account	VAT input account
R11 120	R3 210

The following transactions have not yet been taken into consideration:

- 4.4.1 The owner took jewellery home for his daughter's birthday. The selling price of the goods that he took was R9 000, excluding VAT.
- 4.4.2 Invoice X35 reflected the following purchases made by Bling Girl Fashion Jewellery Suppliers:
  - Trading stock R8 778 (VAT inclusive)
  - Stationery R3 420 (VAT inclusive)
- 4.4.3 D/N 57 was sent to Bead Ltd, a supplier, together with the defective stock. The VAT portion of this return amounted to R78.
- 4.4.4 Settled the amount owing to Brazil Ltd, a supplier, with a cheque for R3 158 and received a discount of R342.
- 4.4.5 Trading stock with a cost price of R19 200 (excluding VAT) was sold for cash.
- 4.4.6 The bank returned debtor L. Maxi's cheque for R1 216 marked RD/ insufficient funds. This cheque had been received in May in settlement of his account of R1 398.
- 4.4.7 Bling Girl Fashion Jewellery sold trading stock to Retail Hub (PTY) Ltd. in May 2018. The tax invoice reflected VAT on the sale as R342; however, it was posted to the ledger as R432.