NATIONAL SENIOR CERTIFICATE EXAMINATION
NOVEMBER 2021

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 INVENTORY SYSTEMS & VAT (20 minutes)

Refer to the information relating to C&C Sound.

QUESTION 1.1 INVENTORY SYSTEMS (14 minutes)

EARPODS (Weighted Average Method):

1.1 Determine the weighted average of each earpod unit.

$$\frac{130\,000 + 416\,000^{*} - 15\,000 + 11\,800}{400 + 1\,500 - 60} = \frac{542\,800}{1\,840}$$

= R295.00 *Rands divided by units*

*416 000 = (200 000 +150 000 +66 000)

Or ERRATA
If no opening stock (R130 000 / 400 units) and used a Weighted average calculation

$$\frac{416\,000 - 15\,000 + 11\,800}{1\,500 - 60} = \frac{412\,800}{1\,440}$$

R286.67 *Rands divided by units*
omission of R130000/400 units

1.2 The owners are aware that some earpods have been stolen during the year. Determine the rand value of the total theft that occurred during the year.

400 + 1 500 – 60 = 1 840 *or from 1.1.*
– 1 630
– 176
= 34 × R295.00 *from 1.1.*

= R10 030.00 *Units x Rands*

Or ERRATA
If no opening stock used in 1.1. (R130 000 / 400 units)

1 500 – 60 = 1 440 *or from 1.1.*
– 1 630
– 176
= 366 × R286.67 *from 1.1.*
= R104 921.22 Units x Rands

OR
400 – 176 = 224 *or from 1.1.*
= × R286.67 *from 1.1.*
= R64 214.08 Units x Rands

1.3 The owners have determined that the security cameras are ineffective in stopping the theft of earpods. Provide one plausible alternative control she could implement to reduce the theft of stock. Explain one factor that they should consider before selecting this control.

Control: Use existing staff (Covid entrance controllers) to check bags and till slips / monitor the cameras / affordable electronic tagging system

Accept any Preventative control (NOT: perform a StockTake)

Consideration: FAVOURABLE COST BENEFIT

The control cannot cost more than their answer in 1.2. (E.g. salary of person) Consider: A. Will it be effective or B. Will it be affordable

1.4 Explain to the owners why the Weighted Average Method might be better suited as a method for valuing her stock of earpods.

Non-perishable product; Does not go out of style within a year

Accept reasonable related alternatives, e.g. low purchase price fluctuation Must be an indication that it is not a "batch-type" product, not an advantages of Weighted Average

SPEAKERS (FIFO Method):

1.5 Calculate the total Cost of Sales of the speakers sold during the year.

	150	= 105 000
[650]	400	= 260 000
[1 000]	500 – 50 = 450 × 600	= 270 000
[1 130]	130 × 750	= 97 500 *x750*
		R732 500

Accept periodic method

105 000
755 000
50 × 600 = (30 000)
130 x 750 = (97 500) *x750*
732 500

500 x 600 = 300 000 is not foreign

QUESTION 1.2 VAT (6 minutes)

1.6 Calculate the VAT amount and indicate if it increases or decreases the amount owing to SARS. VAT is calculated at 15%.

	Calculation	VAT Amount	Effect on SARS
1	45 080 – 39 200	R5 880	INCREASES (+ output)
2	$7\ 705 \times \frac{15}{115}$	R1 005	DECREASES (– output)
3	$15\ 200 - 5\% = 14\ 440 \times \frac{15}{100}$ OR $15\ 200 \times \frac{115}{100}$ *= 17 480 – 5% = 16 606 × $\frac{15}{115}$* **both must be included (inclusive to VAT)*	R2 166 *No mark if VAT on the discount*	DECREASES (+ input)

(9)

32 marks

QUESTION 2 COMPANY FINANCIAL STATEMENTS (61 marks; 37 minutes)

Refer to the information relating to Lesedi Limited.

2.1 Complete the Extract of the Statement of Comprehensive Income (Income Statement) for the year ending 28 February 2021. Ensure that you include all additional operating incomes and expenses from the adjustments.

Sales (4 450 000 – 12 250 – 10 640)	4 427 110
Cost of Sales (2 400 000 – 6 400)	(2 393 600)
Gross Profit	**Do Not Calculate**
Operating incomes	
Commission income (30 100 + 2 750)	32 850
Rent income (234 850 – 18 725)	216 125
Provision for Bad Debts Adjustment (6 150 – 5 230)	920
Operating expenses	
Stationery (18 360 + 1 300 – 1 210)	18 450
Packing material (72 400 – 6 700)	65 700
Directors' fees (100 000 + 80 000)	180 000
Trading Stock Deficit	12 300
Net profit before taxation	1 842 200
Taxation for the year ($1\ 289\ 540 \times \frac{30}{70}$)	(552 660)
Net profit after taxation	**1 289 540**

2.2 Complete the following notes to the financial statements as at 28 February 2021.

2.2.1 **Trade & Other Receivables**

Net Trade Debtors	**Do not calculate**
Debtors Control (139 250 – 10 640 Sales	128 610
Less: Provision for bad debts (6 150 – 920)	(5 230)
Accrued Income (2 750 Comm Inc + 335)	3 085
Prepaid Expenses (6 700 P. Material – 335)	6 365
Deposit: Rates & Taxes (2 970 + 180 (750 – 570) *accepted under Accrued Income or prepaid expenses*	3 150
	Do Not Total

2.2.2 **Ordinary share capital**

4 500 000	Ordinary shares at the beginning of the year	10 800 000
500 000	Ordinary shares at 280 cents	1 400 000
(25 000) Ignore bracket	Ordinary shares at 244 cents	(61 000)
4 975 000	Ordinary shares at the end of the year	**Do Not Calculate**

2.2.3 **Retained Income / Accumulated Profits**

Balance at the beginning of the year	3 780 000
Net profit after tax	1 289 540
Repurchase of 25 000 shares at 51 *2.95– Ave Share Price (see 2.2.2.)* cents each	(12 750)
Ordinary share dividends	(1 121 500)
Paid	425 000
Recommended (4 975 000 *from 2.2.2* × 0,14)	696 500
Balance at the end of the year	**Do Not Calculate**

2.2.4 **Trade and Other Payables**

Trade Creditors	221 300
Accrued Expenses (80 000Director Fees – 20 000	60 000
Income Received in Advance	18 725 *rent income*
SARS (Income Tax) (–419 300 + 552 660 *from Income Statement*)	133 360
Shareholders for Dividends	696 500 *from 2.2.3*
	Do Not Total

QUESTION 2
COMPANY FINANCIAL STATEMENTS
CALCULATION PAGE

Should you wish to use this space for calculations – please clearly label the details of the amount you are working out. All final amounts must be transferred correctly to the Extracted Income Statement and/or Financial Statements Notes above.

Average Share Price (adjustment 1)	
$\frac{10\ 800\ 000 + 1\ 400\ 000}{4\ 500\ 000 + 500\ 000} = \frac{12\ 200\ 000}{5\ 000\ 000}$ ^ = 2,44 – 2,95 = 0,51	
Debtors Allowance (adjustment 2)	
$10\ 640 \times \frac{5}{95}$ = 560 + 10 640 or $10\ 640 \times \frac{100}{95}$ ^ = 11 200 $11\ 200 \times \frac{100}{175}$ ^ = 6 400 ☒	
Trading Stock Deficit	
(865 300^ + 6 400☒*see COS* – 20 000^ – (841 900^ – 2 500^ = 839 400) = 12 300	
Rent Income (adjustment 10)	
F / M A M J J A S ; O N D J F / M A 234 850 ^ = 7x + 6 (x + 1 225^) 234 850 – 7 350 = 13x 227 500 = 13x^ 17 500 = x 18 725 = x + 1 225^	

QUESTION 3 CASH FLOW STATEMENTS (30 minutes)

Refer to the information relating to Simelane Sauces Ltd.

3.1 Complete the following extract of the Cash Flow Statement for the year ended 28 February 2021.

Cash flow from financing activities	1 780 000
Proceeds of shares issued (1 400 000 × 1,20)	1 680 000
Shares repurchased	(70 000)
Proceeds from new loan	350 000
Repayment of loan (15 000 × 12)	(180 000)

3.2 Calculate the total dividend expense (interim and final dividends) for the year ended 28 February 2021.

Interim Dividend (R436 900 – R252 000) = R184 900
Final Dividend = R660 500
Total Dividends = R845 400
OR
Retained Income "Note"
980 000 + 1 110 200 – 24 000 (less than 70 000) – 1 220 800 = 845 400

(4)

3.3 Complete Note 1: Reconciliation between profit before taxation and cash generated from operations.

***Net profit before taxation**	1 586 000
Adjustments for:	305 500
*Depreciation	214 000
*Interest Expense (271 500 – 180 000)	91 500
Operating profit before changes in working capital	1 891 500
Changes in Working Capital	(206 000)
* Increase/~~Decrease~~ in inventory	(124 500)
* Increase/~~Decrease~~ in receivables	(152 000)
* Increase/~~Decrease~~ in payables	70 500
Cash generated from operations	**Do not calculate**

**Delete that which does not apply or circle the correct definition of the movement.*

*Choice of word must be linked to the correct bracket use.

3.4 Determine the purchase price of one of the new delivery trucks.

Fixed Assets (Book Value)		1 275 00 / 3
b/d 2 780 000 Bank 1 275 000 *balancing*	A Disposal 860 000 Depreciation 214 000 c/d 2 981 000	= R425 000 *if divided by 3*

3.5 Calculate the taxation paid as it would appear on the Cash Flow Statement for the year ended 28 February 2021.

SARS (Income Tax)	
Bank 518 800 *balancing*	b/d 34 000 Inc Tax 4 75 800 (1 586 000 × 30%) c/d 9 000

3.6 Determine the cash movement for the year ended 28 February 2021. Indicate if this is an inflow or outflow of cash.

1 780 000 *from 3.1 + 638 300 – 415 000*
= 2 003 300 inflow

QUESTION 3
CASH FLOW STATEMENTS
CALCULATION PAGE

Should you wish to use this space for calculations – please clearly label the details of the amount you are working out. All final amounts must be transferred correctly to the relevant question above.

Movement of Inventory

2.2 : 1 ^
– 1.5 : 1 ^
0.7 : 1 where 1 is R1 376 000
Thus 963 200

838 700 ^– 963 200 = 124 500

Retained Income (Question 3.5)

Movement of Trade & Other Payables

624 000	– 696 000 ^	
17 000	13 000 ^	
4 000	6 500 ^	
645 000	– 715 500 =	70 500

Shares

50 000 ^	3 600 000 ^
950 000 ^	1 400 000

Loans

Bank	271 500	b/d	930 000^
		New	350 000
Interest	91 500	*balancing*	
Repay	180 000^	Interest	91 500^
(12 × 15 000)			
c/d	1 100 000^		

QUESTION 4 MANUFACTURING & ASSET MANAGEMENT (33 minutes)

Refer to the information relating to Makhaza Manufacturers.
marks, 10 minutes)

4.1 Complete the Fixed / Tangible Asset note for the year ended 31 October 2021.

	Equipment
Carrying Value at the beginning of the year	1 336 500
Cost Price	2 430 000
Accumulated Depreciation	(1 093 500)
Movement	**Do Not Total**
Additions	
Disposals	(481 605)
Depreciation (14 895 + 100 800)	(115 695)
Carrying Value at the end of the year	**Do Not Total**
Cost Price	**Do Not Total**
Accumulated Depreciation (1 093 500 + 115 695 *depreciation* – 158 395 *disposal*)	(1 050 800) all functions

Calculations of Depreciation:

Equipment that was sold

640 000 – 143 500 = 496 500 ^ × 12% × $\frac{3}{12}$ ^= 14 895

Remaining Equipment

1 336 500 – 496 500 = 840 000^^ × 12% ^= 100 800

Disposal at Carrying Value

640 000^ – (143 500 ^+ 14 895 *sold* =158 395) = 481 605

QUESTION 4.2 MANUFACTURING (23 minutes)

4.2 Complete the Production Cost Statement for Makhaza Manufacturers for the year ended 31 October 2021.

Makhaza Manufacturers
Production Cost Statement for the year ending 31 October 2021

Direct/Prime Costs		2 348 900 *adding*
Raw Materials		1 489 000
Direct Labour		859 900
Factory Overheads	3	717 425 *from 4.3*
Total Manufacturing Costs		3 066 325
Work-In-Progress at beginning of the year		264 000
Sub-total		3 330 325
Work-In-Progress at end of the year		(135 075)
Total Cost of Production		3 195 250

4.3 Complete the Factory Overheads note.

Note 3: Factory Overheads

Rates & Taxes (39 000 × $\frac{1200}{1600}$)	29 250
Water & Electricity (63 800 + 5 800 = 69 600 × 85%)	59 160
Insurance (93 600 – 7 200 = 86 400 /2)	43 200
Depreciation	115 695 from 4.1
Indirect Labour	414 720
Indirect Materials (14 500 – 17 300 + 48 200)	45 400
Loss due to theft	10 000
	717 425

4.4 Considering the break-even calculation. Determine the amount the business would need to sell one drum at in order to break even at 5 000 units.

$$x - \frac{3\,400\,000}{12\,500} = \frac{1\,020\,000}{\text{5 000 units}}$$

R476

OR 1 020 000 / 5 000 = 204 + 272

QUESTION 4.2
MANUFACTURING
CALCULATION PAGE

Should you wish to use this space for calculations – please clearly label the details of the amount you are working out. All final amounts must be transferred correctly to the Production Cost Statement or Factory Overheads Notes above.

<table>
<tr><th colspan="3">Raw Materials</th></tr>
<tr><td colspan="3">734 000 ^+ 1 712 500^– 31 500^ – 10 000^ – 916 000^ = 1 489 000 ☒</td></tr>
<tr><th colspan="2">Direct Labour</th><th>Indirect Materials</th></tr>
<tr><td colspan="2">12^ × 30^ × 2 080^ = 748 800

111 100^
859 900 ☒</td><td></td></tr>
<tr><th colspan="2">Indirect Labour</th><td></td></tr>
<tr><td colspan="2">293 280 ^+ 60 000 ^= 353 280 × $\frac{100}{92}$^

= 384 000 + 30 720 ^

= 414 720 ☒ no foreign; adding</td><td></td></tr>
<tr><th colspan="2">Finished Goods</th><td></td></tr>
<tr><td>b/d 446 000^

WiP 3 195 250 ☒</td><td>COS 3 281 250^

c/d 360 000 ^</td><td></td></tr>
</table>

Total: 200 marks