



NATIONAL SENIOR CERTIFICATE EXAMINATION
SUPPLEMENTARY EXAMINATION – MARCH 2018

ACCOUNTING: PAPER I

Time: 2 hours

200 marks

INFORMATION BOOKLET

QUESTION 1 INVENTORY SYSTEMS (25 marks; 12 minutes)

The information below relates to Water-Quip Suppliers.

The business sells water polo balls and caps directly to schools.

- The business uses the **FIFO valuation system** and the **perpetual** system to record their stock of **water polo balls**.
- They value their stock of **water polo caps** using **weighted averages** and the **periodic stock** system.
- The business's financial year ends on 31 October 2017.

The following information was taken from the stock records:

1. STOCK RECORDS OF WATER POLO BALLS

Date	Number of units	Unit cost	Total
1 November 2016	2 200	R95	R209 000
PURCHASES	8 750		R902 500
15 November 2016	3 000	R100	R300 000
Returns	(400)	R100	(R40 000)
31 January 2017	4 000	R103	R412 000
20 April 2017	2 000	R107	R214 000
Returns	(750)	R107	(80 250)
1 September 2017	900	R107,50	R96 750
31 October 2017	2 600	?	?

2. **ADDITIONAL INFORMATION RELATING TO WATER POLO BALLS:**

- 8 340 water polo balls were sold during the year.
- On 10 November 2016, water polo balls were donated to the local school.
- No balls were stolen or went missing during the year.

3. **STOCK RECORDS OF WATER POLO CAPS**

Date	Number of units	Unit cost	Total
1 November 2016	1 320		R59 480
PURCHASES	1 700		R82 460
March 2017	80	R45	R3 600
July 2017	1 070	R48	R51 360
September 2017	550	R50	R27 500
31 October 2017	320	?	?

4. **ADDITIONAL INFORMATION RELATING TO WATER POLO CAPS:**

- Sales for the year, R256 000

QUESTION 2 CASH FLOW AND RATIO ANALYSIS (60 marks; 36 minutes)

The information below refers to Saldanah Limited.

Information that you will need to use has already been entered in the Answer Booklet.

1. Extracts from the Statement of Comprehensive Income (Income Statement) for the year ending 30 June 2017.

	30 June 2017
Loss on sale of asset	R16 650
Net profit after taxation	R731 730

2. **Extracts** from the Statement of Financial Position (Balance Sheet) as at 30 June.

	30 June 2017	30 June 2016
	R	R
FIXED ASSETS		
Packing machine at cost	1 000 000	700 000
Accumulated depreciation on packing machine	?	485 000
Vehicles at carrying value	2 350 000	2 450 225
TRADE AND OTHER RECEIVABLES		
SARS – Income tax (debit)	15 000	0
Cash and cash equivalents	19 230	800 000
SHAREHOLDERS EQUITY		
Ordinary Share Capital	?	8 690 000
Retained income	2 593 590	
NON-CURRENT LIABILITIES		
Loan: Capitic Bank (10,5% p.a.)	1 800 000	?
CURRENT LIABILITIES		
SARS – Income tax (credit)	0	12 480
Expenses accrued (Interest on loan)	11 400	17 275
Shareholders for dividends	0	750 000
Bank overdraft	437 700	

3. FIXED ASSETS

- The business traded-in their **only** packing machine on 30 November 2016 for a newer model at a loss of R16 650. Depreciation is calculated at 12% p.a. on the diminishing balance method.
- Depreciation on the new packing machine was correctly calculated to be R70 000.
- No vehicles were bought or sold. Vehicles have been depreciated and this has been recorded.
- An additional storeroom was built during the year at a cost of R135 000.

4. LOANS AND INTEREST

- The business has only **one** loan with Capitic Bank, and interest on this loan is 10,5% p.a. The interest rate has remained unchanged throughout the year.
- Interest on the loan is not capitalised.
- Saldanah Limited increased their loan with Capitic Bank on 1 January 2017, and made a repayment on 30 April 2017.
- The interest on the loan for the period **1 January 2017 to 30 June 2017** was correctly calculated as R101 500.

5. SHARES AND DIVIDENDS

- On 30 June 2017 shares were repurchased from a shareholder, Dorris Allan, who was unhappy with the returns she was getting on her investment. **The shares were repurchased for 450 cents above the average price.**
- The interim dividend paid during the year was R385 470.
- The directors have decided that no final dividend will be declared this year.
- Saldanah Limited's shares are currently trading on the JSE at R7,20 per share.
- The following ordinary share capital note was found in the notes to the financial statements as at 30 June 2017:

2 500 000	Ordinary shares in issue at the beginning of the year	R8 690 000
120 000	Ordinary shares issued on 1 July 2016 at R4,00 per share	R480 000
()	Ordinary shares repurchased on 30 June 2017 at ?	()
2 569 800	Ordinary shares at ?	

6. FINANCIAL INDICATORS FOR THE FINANCIAL YEARS ENDING:

	2017	2016
Earnings per share (EPS)	28,5 cents	55 cents
Dividends per share (DPS)	15 cents	38 cents

QUESTION 3 COMPANY FINANCIALS

(60 marks; 40 minutes)

The information below refers to Harmony Lighting LTD.

- A. The following balances/totals, amongst others, were found in the trial balance on 31 October 2017 **before any of the adjustments and additional information given below had been taken into account:**

	Debit	Credit
	R	R
Balance Sheet Section		
Debtors' control	233 023	
Provision for bad debts		7 000
SARS – Income tax (1 November 2016)	4 100	
Fixed deposit	435 000	
Nominal Accounts Section		
Cost of sales	3 762 500	
Directors' fees	2 205 000	
Income tax	395 900	
Interest income		16 200
Interest expense on overdue creditors	2 100	
Interest on loan	?	

B. ADJUSTMENTS AND ADDITIONAL INFORMATION

ADJUSTMENTS:

1. Audit fees of R72 000 for the 2018 financial year were **paid in advance** on 20 October 2017. The entry to record the R72 000 payment was made.
2. Josh Miller, a director, is still owed his October remuneration of R63 000. He took stationery worth R1 500 in part payment of his directors' fees. No entries have been made to record either transaction.
3. A debtor complained that he had not been given his usual 10% trade discount on his October purchase. His invoice totalled R10 230. The trade discount needs to be recorded.
4. R11 000 worth of packing material was estimated to be on hand on 31 October 2017. It is company policy to treat this as an expense prepaid.
5. The provision for bad debts must be adjusted to 2,5% of Debtors' control.
6. Income tax expense for the year was 28% of profit.

ADDITIONAL INFORMATION:

1. The loan statement below from BASSA Bank was received on 31 October 2017:

Balance as at 1 November 2016	R215 000
Capitalised interest	R22 575
Repayments made during the year	?
Balance as at 31 October 2017	R135 000

The **payments made for interest and the repayment of the loan during the year have been recorded in the bank account.** The business will repay half of the outstanding balance on the loan next year.

2. An extract from the **Cash Flow Statement** of Harmony Lighting LTD for the year ending 31 October 2017 showed the following movements, after all the adjustments were made:

Changes in Net Working Capital	
Trading stock	22 800
Cash flows from Financing Activities	
Repayment of loan	(80 000)

These transactions have been recorded in the bank account.

3. The following information relates to dividends paid:
- The interim dividend for 2017 was R138 600. This has been paid and recorded in the bank.
4. The company has an authorised share capital of 700 000 ordinary shares. 630 000 ordinary shares were in issue on 1 November 2016. The balance of the unissued shares was sold on 31 October 2017 at R12 per share. **No entries have been made to record this.** No shares were repurchased during the year.
5. Trade creditors increased by R261 700 for the year.

QUESTION 4 MANUFACTURING AND VAT (55 marks; 32 minutes)

This question consists of two parts. Each part must be treated separately from the other.

PART A MANUFACTURING (30 marks; 19 minutes)

The information below refers to Beached Manufacturers.

Beached Manufacturers is a small textile manufacturing business that produces South African ethnic designed beach towels on order from a large wholesaler in South Africa. Because they only make to order, they sell all the products they make during the year. They employ previously unemployed workers, who they have now trained.

A. The following information was taken from the accounting records as at 30 September 2017:

	2017	
	R	Unit cost
VARIABLE COSTS		
Direct materials cost	4 860 000	R24, 30
Direct labour cost	2 340 000	?
Selling and distribution cost	?	R11, 80
FIXED COSTS		
Factory overheads	?	?
Administration costs	2 036 000	?
Number of units produced and sold	?	
Selling price per unit	R105	
Break-even point (units)	130 000	

B. Additional information:

- There was no stock on hand at the beginning or end of the year.
- The following information was taken from the **2016 financial year (last year)**:

Break-even point	150 000
Number of units sold	180 000
Mark-up achieved	60%

PART B VALUE ADDED TAX (VAT) (25 marks; 13 minutes)

The information below refers to Saligna Limited.

Saligna Limited specialises in the retail of wooden outdoor tables. They are a registered VAT vendor and apply VAT at 14% on all goods and services. They are registered to use the invoice basis, and make bimonthly payments to SARS. Their next payment is due on 25 October 2017. The business uses a mark-up of 120% on cost for all sales.

A. SUMMARY OF THE JOURNALS FOR THE MONTH OF SEPTEMBER 2017:

CASH RECEIPTS JOURNAL – SEPTEMBER 2017					
VAT	SALES	COST OF SALES	DEBTORS' CONTROL		SUNDRY ACCOUNTS
			RECEIPTS	DISCOUNT	
119 350	827 200	376 000	623 700	7 524	1 026

- The sundry accounts figure of R1 026 is for bad debt recovered.

CASH PAYMENTS JOURNAL – SEPTEMBER 2017					
VAT	TRADING STOCK	EQUIPMENT	CREDITORS' CONTROL		SUNDRY ACCOUNTS
			PAYMENTS		
58 142	?	115 500	170 500	391 600	10 500

- The sundry accounts figure of R10 500 is made up of the following:
 - R2 300 water and electricity
 - R8 200 drawings

DEBTORS' JOURNAL – SEPTEMBER 2017		
DEBTORS' CONTROL	VAT	COST OF SALES
?	27 720	?

DEBTORS' ALLOWANCES JOURNAL – SEPTEMBER 2017		
DEBTORS' CONTROL	VAT	COST OF SALES
3 300	462	1 500

Note: All the allowances were for returns of stock.

CREDITORS' JOURNAL – SEPTEMBER 2017		
CREDITORS' CONTROL	VAT	TRADING STOCK
227 430	?	199 500

Note: The business only buys trading stock on credit.

CREDITORS' ALLOWANCES JOURNAL – SEPTEMBER 2017	
VAT	
1 470	

B. ADDITIONAL INFORMATION RELATING TO SEPTEMBER 2017:

- The business donated stationery to a local charity; the VAT on this transaction was R294.
- The September bank statement showed a dishonoured cheque of R11 400. This had been received from a debtor in settlement of his account of R12 996.
- The balance on the VAT control account on 1 September 2017 showed that SARS owed Saligna Limited R2 370.