



PRELIMINARY EXAMINATION

GRADE 12 – 16 SEPTEMBER 2024 – SESSION 1

EXAMINER: MS S. MEYER

MODERATOR: MS C. LOVELL

ACCOUNTING: PAPER I

Time: 2 hours

200 marks

INFORMATION BOOKLET

NAME:

QUESTION 1**MANUFACTURING****47 MARKS; 26 MIN**

This question consists of a Part A and Part B.

PART A : GALAXY MANUFACTURERS

You are provided with information relating to Galaxy Manufacturers for the year ended 31 December 2023. The business manufactures one type of bicycle.

INFORMATION:

1. Stock balances:

	31 December 2023	1 January 2023
Raw materials stock		
Work-in-progress stock	?	480 000
Finished goods stock	285 000	330 000
Indirect factory materials	45 300	39 600

2. Employees in the production process

Number of employees	14 employees
Basic monthly salary of each employee	R21 000
Total overtime hours per employee for the year	144 hours
Overtime rate per hour	R195

Employment benefits:

- All employees in the production process work the same number of hours overtime.
 - UIF deductions form the basic salary are 1%. The employer contributes an additional 1% of the basic salary.
3. The factory foreman is entitled to an annual salary of R468 000 (including UIF and pension benefits).
4. Accounts appearing in the General Ledger on 31 December 2023:

Water and electricity	312 000
Rent expense	345 600
Insurance	214 200

- 10% of the water and electricity was used by the administrative office. The factory used the rest.

- Rent is divided between the different sections according to floor space:

	Total	Factory	Administration	Sales
Floor Space	1 500m ²	600m ²	400m ²	500m ²

- Insurance of R8 400 is still outstanding for December 2023. Insurance is divided in a ratio of 3:2:2 between the factory, administration and sales department.
- Indirect materials of R115 200 were bought for the factory during the financial year.
 - The following figures were calculated for the financial year:
 - Depreciation on factory equipment, R831 660.
 - Direct raw materials issued for manufacturing, R6 300 000
 - Details from the Income Statement for the year:

Sales of finished goods	R18 600 000
Cost of sales of finished goods	R12 045 000

PART B : CUP 'A CHINO

The business is owned by Jack and produces one type of Cuppacino sachets, which they sell in boxes containing 10 sachets each. The financial year-end is 31 October.

INFORMATION:

The following information was taken from the accounting records:

	31 October 2023		31 October 2022	
	Total	Per unit	Total	Per Unit
	R	R	R	R
Sales	896 000	28	897 000	23
Variable Costs	512 000	16	487 500	12.50
Fixed Costs	368 000	11.50	315 000	8.08
Break Even	?		30 000 units	
Number of units produced and sold	32 000 units		39 000 units	

QUESTION 2 FIXED ASSETS AND INVENTORY 50 MARKS; 28 MIN

This question consists of 2 separate Parts.

PART A – FIXED ASSETS - NOLAN INDUSTRIES LTD

You are provided with the details of Nolan Industries Ltd, a printing business. Their financial year end is 28 February 2024.

INFORMATION:

- a. Equipment is depreciated at 18% per annum on the diminished balance method.
- b. The following balances were extracted from the financial records:

1 March 2023

Equipment	R1 640 000
Accumulated depreciation on equipment	R 735 700

- c. An old printer, which cost R250 000, was traded in for a new one on 1 December 2023. The old machine had an accumulated depreciation of R99 360 on the date of sale, this included depreciation of R24 010 for the period 1 March 2023 to 30 November 2023.
- d. The new machine cost R400 000. A trade-in value on the old machine of R168 000 was negotiated.
- e. Unused land was sold for cash at cost to help solve the cash flow problems. The property was bought by RT Construction, who's owner is the financial manager's brother.

PART B - INVENTORY

You are provided with information relating to Cell Worx, owned by Lesley Wood. The business sells cell phone covers. Their financial year ends on 30 June 2024. The business used the FIFO method to value their stock. The periodic inventory system is used.

1. Sales and cost of sales for the year:

	Total
Sales (3 000 cell phone covers @ R320 each)	R960 000
Cost of sales	R789 450

2. Inventory of cell phone covers

	Number of Units	Price per unit	Total
1 July 2023	600	R160	R96 000
30 June 2024	?	?	?

3. Purchases and Returns

	Number of Units	Price per unit	Total
Purchases:			
12 October 2023	750	R210	R157 500
18 December 2023	1 900	R260	R494 000
6 March 2024	680	R200	R136 000
24 June 2024	880	R240	R211 200
	4 210		R998 700
Returns:			
7 March 2024	60	R200	R12 000
24 June 2024	150	R240	R36 000
	210		R48 000

The owner donated 50 Cell Phone covers to his child's school for the Entrepreneurs Day. This was taken from his old stock. No Cell Phone Covers were stolen.

QUESTION 3**CASH FLOW****43 MARKS; 26 MIN****Information relating to Bantex Traders Ltd is supplied.**

Bantex Traders Ltd is a company that supply gas heaters to wholesalers.

1. They have an authorised share capital of 1 500 000 shares. Shares were sold on 1 March 2023 to bring the total number of shares in issue on 28 February 2024 to 1 150 000 ordinary shares. No shares were repurchased during the year.
2. The earnings per share (EPS) was calculated to be R1,75 (175c) on 28 February 2024.
3. Extract from the Statement of Comprehensive Income (Income Statement) for the year ended 28 February 2024:

Depreciation	R86 250
Interest on loan	R15 850
Income Tax	30 %

4. Extract from the Statement of Financial Position (Balance Sheet) as at:

	28 February 2024	28 February 2023
	R	R
Ordinary share capital	1 070 000	?
Retained income	80 000	?
Fixed assets (at carrying value)	734 250	663 000
Investments: Solid Bank	62 500	120 000
Loan: Nikki Bank (9 % p.a.)	470 000	307 500
Current Assets	?	324 500
Cash & cash equivalents	25 750	1 075
Inventory	?	169 750
Trade & other receivables	?	149 700
SARS (Income Tax)	-	3 975
Current Liabilities	241 000	199 250
Creditors control	112 675	195 100
Income received in advance (Rent)	4 250	4 000
SARS (PAYE)	5 950	5 400
Accrued expense (Interest on loan)	3 525	2 325
SARS (Income Tax)	5 350	-
Bank overdraft	0	9 925
Shareholders for dividends	10 925	105 000

5. Additional information:

5.1 Interest on the Loan

- The interest on loan is not capitalised.

5.2 Financial assets

- During the year the company decreased its investment in Solid Bank.

5.3 Dividends

- Interim dividends of 16c per share was declared and paid on 31 August 2023.
- A final dividend was declared at the end of the year.

5.4 Fixed assets

- During the year the company purchased new equipment.
- The company sold old equipment at its book value of R93 250.

5.5 Working capital

- The following financial indicators were calculated on 28 February 2024:
 - Current ratio 1,15:1
 - Acid test ratio 0,75:1
- The movement of the trade and other receivables resulted in an outflow of cash of R5 300.

QUESTION 4 COMPANY FINANCIAL STATEMENTS 60 MARKS; 40 MIN

The information relates to Pencilbox Ltd, a stationery retailer, for the year ended 28 February 2024.

INFORMATION:

1. Extract: Pre-Adjustment Trial Balance on 28 February 2024:

Ordinary Share Capital	?
Retained Income	306 060
Loan: ABSA Bank	1 432 500
Creditors Control	552 705
Debtors Control	694 500
Bank	198 900
SARS – Income Tax	443 250
Trading Stock	1 323 000
Sales	8 712 000
Cost of sales	?
Depreciation	129 015
Insurance	55 800
Discount Received	21 000
Rent Income	207 900
Directors Fees	675 600
Salaries and Wages	738 900
Audit Fees	128 550
Interest Income	36 600
Ordinary share dividends	189 000

2. Adjustments and additional information

- (i) Goods returned by a debtor, R43 200, were not recorded. The goods were returned to the supplier. The supplier picked up the goods at a cost of 5% of the total value of the stock returned. A profit mark-up of 60% on cost was applied to all sales.
- (ii) Insurance includes an annual premium of R21 600 paid for the period 1 April 2023 to 31 March 2024.

- (iii) The tenant paid the rent up to 30 April 2024. The premises were occupied since 2020.
- (iv) The bookkeeper omitted the stock of calculators in compiling the trading stock figure reflected on the pre-adjustment trial balance. A summary from the stock records of calculators is as follows:

	UNITS
Opening stock	600
Purchases during the year	2 200
Returns	180
Units sold	2 160
Closing Stock	430

- The relevant sales figure was recorded.
 - Calculators are purchased at a fixed cost of R263 each. The specific identification method is used to value the calculators.
 - It was noted that calculators were stolen. This must still be recorded.
- (v) The company employs three directors on the same fee structure. The directors did not receive their remuneration for January and February 2024. The business increased the director's fees with 10% on 1 January 2024.
- (vi) The salary of the clerk on leave was omitted from the Salaries Journal. Details of his salary is as follows:

Net Salary	Total employee deductions	Total Employer contributions
R14 136	24% of gross salary	R1 860

- Employer contributions are debited to salaries and wages.
- (vii) An adjusted assessment was received from the external auditors stating that the audit fees for the year amounts to R120 750.

(viii) The loan statement from ABSA Bank revealed the following:

Total repayments for the year (Including interest)	R387 000
Interest capitalised	?
Balance on 28 February 2024	R1 623 600

- 10 % of the loan balance will be settled during the next financial year.

(ix) After taking into account the adjustments, the tax amounted to R464 535.
The current income tax rate is 27 %

2. Share Capital and dividends:

The share register reflected 745 000 shares in issue on 28 February 2024.

The changes to share capital and retained income were recorded:

- 1 October 2023: 120 000 shares were issued at R12,00 each.
- 1 December 2023: 75 000 shares were repurchased at R2,10 above the average share price. These shares **DO NOT** qualify for final dividends.
- Interim dividends were paid on 31 August 2023.
- A final dividend of 35 cents per share was declared on the 28 February 2024.

3. Financial indicators calculated on the 28 February 2024:

- Net asset value per share (NAV): 1 290 cents
- Current ratio: 1.8 : 1