ST PETER'S COLLEGE

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

ANSWER BOOKLET

NAME: **MARKING GUIDELINES**

PLEASE READ THE FOLLOWING INSTRUCTIONS CAREFULLY:

1. This question paper consists of **13 pages**, an Information Booklet of **10 pages** Please check that your question paper is complete.
2. Read the questions carefully.
3. Answer the questions in the space provided.
4. You may **not** use red or green ink. **You may use a pencil, but please use a soft, dark pencil.**
5. All calculations should be rounded off to **two decimal places.**
6. The allocation of marks and appropriate time for each question are as follows:

	Possible marks	Actual marks	Moderated marks
Question 1: Manufacturing (26 minutes)	**47**		
Question 2: Assets & Inventory (28 minutes)	**50**		
Question 3: Statement of Cash Flow (26 minutes)	**43**		
Question 4: Company Financials (40 minutes)	**60**		
TOTAL	**200**		

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QUESTION 1 MANUFACTURING 47 MARKS; 26 MIN

This question consists of 2 separate questions:

PART A : GALAXY MANUFACTURERS

Use the information provided and complete the following:

1.1 Prepare the following notes to the Production Cost Statement:

1.1.1 DIRECT LABOUR COST

Basic salary (14 x 21 000) ✓ x 12✓ 294 000	(✓)3 528 000
Overtime (14 x 144) ✓ x 195✓) 195 x 14 = 2 730 [1] or 195 x 144 = 28 080 [1]	✓393 120
UIF Contributions (3 528 000 ✓ x 1%)	✓35 280
	☑ 3 956 400

(9)

1.1.2 FACTORY OVERHEAD COSTS

Indirect material (39 600✓ + 115 200✓ - 45 300✓)	(✓)109 500
Salaries: Foreman	✓468 000
Electricity and water (312 000 x 90%)✓	✓280 800
Rent Expense (345 600 x 600/1 500) ✓	✓138 240
Insurance (214 200 + 8 400) x 3/7) ✓	✓95 400
Depreciation: factory plant and machinery	✓831 660
	☑1 923 600

(13)

Calculations:

Finished goods	
12 045 000 + 285 000 – 330 000 = 12 285 000	

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1.2 Prepare the Production Cost Statement :

PRODUCTION COST STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2023

Direct (raw) material costs	**6 300 000**
Direct labour cost (1.1.1)	(✓) 3 956 400
Prime Cost	(✓)10 256 400
Factory overhead costs (from 1.1.2)	(✓)1 923 600
Total manufacturing cost	(✓)12 180 000
Work in progress (beginning of the year)	**480 000**
Work in progress (end of the year)	✓ (220 000)
Cost of production of finished goods (12 045 000✓ + 285 000✓ - 330 000✓)	☑ 12 000 000

(10)

32

PART B : CUP 'A CHINO

1.3 Use the information supplied and answer the following questions :

1.3.1 Calculate the break-even point for the year ended 31 October 2023.

368 000 ✓ = 30 667 units ☑
28 ✓- 16✓
12

(4)

1.3.2 Should the business be satisfied with the number of units that they produced and sold during the current financial year? Quote figures in your answer.

Yes. The business produced 1 333 (32000 -30667) ✓ ☑ units more than the break even✓
Or
No. Produced 7 000 ✓ ☑ less than in the previous year ✓

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(3)

1.3.3 Give **TWO** possible reasons for the increase in the direct material cost per unit in the current financial year.

Inflation ✓ explanation ✓
Increased wastage ✓ explanation ✓
Increase carriage

(4)

1.3.4 Jack suggests that in order to improve his financial results in the new financial year, the quantity of sachets per box can be reduced from 10 to 8 and the selling price must remain the same. Give **TWO** valid reasons why he should not do this.

• Unethical✓ – could decrease customers ✓
• Legal action ✓– product shrinkage ✓
• Product could be removed from the shelves

(4)

15

47

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QUESTION 2 FIXED ASSETS AND INVENTORY 50 MARKS; 28 MIN

This question consists of 2 independent parts.

PART A – FIXED ASSETS - NOLAN INDUSTRIES LTD

Use the information supplied and answer the following questions:

2.1 Calculate the depreciation on the remaining equipment.

OLD :
1 640 000 – 735 700
-250 000 -75 350 ✓ (99 360 – 24 010)

1 390 000✓✓ - 660 350 ✓✓ = 729 650 x 18 % = 131 337 ☑

NEW:
400 000 x 18 %✓ x 3/12 ✓= 18 000

(8)

2.2 Complete the following Note to the Financial Statements on 28 February 2024:

NON-CURRENT ASSETS

	EQUIPMENT
CARRY VALUE BEGINNING	**904 300**
COST PRICE	**1 640 000**
ACCUMULATED DEPRECIATION	**(735 700)**
MOVEMENT	
Additions at cost	400 000 ✓
Disposal at carry value (250 000✓ – 99 360✓)	(150 640) ☑
Depreciation (24 030 ✓+ 149 337 (✓)	(173 367)
CARRY VALUE AT END	Do not calculate
COST PRICE (1 640 000✓ – 250 000 ✓+ 400 000 ✓)	1 790 000 ☑
ACCUMULATED DEPRECIATION	Do not calculate

(10)

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2.3 Comment on the sale of the Land and Buildings and the effect that it may have on the company

Land and Buildings should not be sold at cost ✓ but at market value✓
Nepotism was shown by the CEO, the sale should have been ✓
advertised. This could have a negative effect on their already bad cash flow

(3)

21

PART B - INVENTORY

2.1 Calculate the units on hand on 30 June 2024.

(600 + 4 210)✓ – 210✓ – 50 ✓= 4 550 – 3 000✓ = 1 550

(4)

2.2 Calculate the **value** of closing stock according to the FIFO method on 31 July 2024.

1 550 (see 2.1)

(880 – 150) 730 ✓ x R240 ✓ = R175 200 ✓

(680 – 60) 620✓ x R200 = 124 000 ✓

200✓ x R260 = 52 000 ✓

R351 200 ☑

OR 880 x 240 ✓= 211 200
680 x 200 ✓=136 000✓
200✓ x 260 = 52 000 ✓ 399 200
-Returns
150✓ x 240 = 36 000✓
60 x 200✓ = 12 000 ✓ 351 200☑

(9)

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2.3 Jack has two concerns that he would like you to help him with:

- Is he achieving his intended mark-up of 30%? Motivate.

No, he is not achieving his mark-up ✓

170 550✓ / 789 450✓ x100/1 = 21, 60 %

(3)

- Does he have enough stock for the next 3 months?

½ (96 000✓ + 351 200(✓)x 365
789 450✓

= 103.38 Days (✓) (must have days)

OR 351 200 ✓
789 450 ✓

= 162,38 days✓

He has enough stock for 3 months ✓

(4)

2.4 Jack has heard that he could also use the weighted average method for his stock. Calculate his closing stock figure using this method.

96 000 ✓ + 998 700 ✓ – 48 000 ✓ - 8 000✓ Top and bottom correct
600 + 4 210 - 210 - 50

1 038 700 = 228.29 ✓
4 550

1 550☑ x R228,29 ☑ = R353 849.50

(7)

2.5 Refer to your answer in 2.4 What will the influence be on the gross profit?

Gross profit will increase✓ as the closing stock increases. ✓
Cost of sales decrease

(2)

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29

50

QUESTION 3 CASH FLOW STATEMENT 43 MARKS; 26 MIN

Use the information supplied and complete the following:

3.1. Complete the note showing the reconciliation between net profit before taxation and cash generated from operations

Net profit before taxation (20 125 000 (✓) x 100/70) ✓		28 750 000
Adjusted for :		
Depreciation		86 250✓
Interest expense		15 850✓
Operating profit before changes in working capital		Do not calculate
Changes in working capital		161 775 ☑
Increase/**Decrease** in Inventory		(73 350) ☑
Increase/Decrease in receivables		(5 300) ✓
Increase/***Decrease*** in payables	81 625	(83 125) ☑
Cash generated from operations		Do not calculate

Clearly indicate Increase/Decrease. (8)

3.2 Show your calculations for the following:

Net profit after taxation (3)
X 1 150 000 ✓ = 175 cents✓ = 2 012 500✓
Change in Inventories (3)
1.15 – 0.75 = 0.4 OR 241 000 x 0.4 = 96 400✓✓ 241 000✓ x 0.75 = 180 750 ✓ 241 000 x 1.15 = 277 150✓ = 96 400 169 750 – 96 400 = 73 350 ✓

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Change Trade and other payables	(3)
195 100 - 112 675 = -82 425 ✓ 4 000 – 4 250 = + 250 ✓ 5 400 – 5 950 = + 550 ✓ 81 625	

3.3 Calculate the amounts that would appear in the **Operating Activities Section** of the Cash Flow Statement for the year ended 28 February 2024 for the following:

Interest Paid	(4)
2 325✓ + 15 850✓ – 3 525✓ = 14 650✓	

Dividends Paid	(4)
(1 150 000 x 16c) ✓✓= 184 000 Paid 184 000 + 105 000✓ = 289 000 ☑	

Taxation Paid	(5)
- 3 975 ✓ + 8 625 000 ✓✓– 5 350✓ = 8 615 675☑ (28 750 x 30% = 8 625 000)	

3.4 Complete the **Investing Activities Section** of the Cash Flow Statement:

Cash flow from investing activities	
Purchase of fixed assets	(250 750) ✓✓✓✓☑
Proceeds from disposal of asset ✓	93 250 ✓
Decrease in investment (120 000 – 62 500)	57 500✓✓

(9)

Calculations	
93 250✓ + 86 250 ✓+ 734 250 ✓= 913 750 – 663 000✓ = 250 750	
663 000	86 250 93 250 734 250

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3.5 Calculate the net change in cash and cash equivalents for the year ended 28 February 2024. Indicate if it is an INFLOW or OUTFLOW of cash.

2023 : 1 075✓ – 9 925) ✓ = (8 850

2024 : 25 750 ✓
34 600 ☑

(4)

43

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QUESTION 4 COMPANY FINANCIAL STATEMENTS 60 MARKS; 40 MIN

Use the information supplied and complete the following:

4.1 Complete the Statement of Comprehensive Income.

PENCILBOX LIMITED
STATEMENT OF COMPREHENSIVE INCOME FOR YEAR ENDED 28 FEBRUARY 2024

	R
Sales (8 712 000 – 43 200 ✓	☑ 8 668 800
Cost of Sales (x100/160)	✓☑ (5 418 000)
Gross profit	Do not calculate
Other operating income	Do not calculate
Discount Received	✓21 000
Rent Income (207 900 – 29 700✓✓)	☑ 178 200
Gross operating income	Do not calculate
Operating expenses	Do not calculate
Depreciation	✓ 129 015
Insurance (55 800 ✓ - 1 800✓)	✓ 54 000
Loss due to theft (30 x 263 ✓)	✓ 7 890
Directors Fees (675 600 ✓+ 148 632 ✓✓✓) 67560x1.1x2	☑ 462 000
Salaries and Wages (738 900 + 18 600✓ + 1 860✓	☑ 506 240
Audit Fees (128 550 – ✓7 800)	✓120 750
Operating profit before interest	Do not calculate
Interest income	✓36 600
Profit before interest expense	Do not calculate
Interest expense (1 623 600– 1 432 500✓ + 387 000✓)	☑ **(578 100)**
Net profit before tax	☑ 1 720 500
Income Tax	☑ ✓ (464 535)
Net profit after tax	☑ 1 255 965

(32)

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4.2 Complete the Retained Income Note:

RETAINED INCOME	**R**
Retained income at the beginning of the year	☑ 306 060
Net profit after tax	☑ 1 255 965
Repurchase of shares (75 000✓ x 2.10✓)	☑ (157 500)
Ordinary share dividends	☑ (499 750)
Interim dividends	✓189 000
Final Dividends (745 000✓ x 0.35✓)	(✓)260 750
Retained income at the end of the year	☑ 954 775

(11)

4.3 Complete the Equity and Liabilities section of the Statement of Financial Position. (Show current liabilities as if it was the note)

SHAREHOLDERS EQUITY (12.90 x 745 000✓)	☑ 9 610 500
Ordinary share capital	☑ 5 811 000
Retained income	☑ 596 000
Non-Current Liabilities	Do not calculate
Loan: ABSA Bank (1 623 600 – 162 360✓) (2)	☑ 974 160
Current Liabilities	Do not calculate
Trade and other payables	
(See calculation) (11)	
TOTAL EQUITY AND LIABILITIES	Do not calculate

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(17)

Calculation for Trade and other payables

Trade and other payables (552 705 – 27 000✓ + 1 350 ✓	
Deferred income	☑ 29 700
Accrued expense	☑ 148 632
Creditors for salaries	✓ 14 136
Contributions	✓ 1 860
Shareholders for dividends	✓260 750
SARS: Income Tax (309 690✓ – 295 500✓)	☑21 285
Current Portion of the loan (11)	✓162 360

SPACE FOR OTHER CALCULATIONS:

Directors fees	**Salaries and wages**
675 600 /10 = 67 560 67 560 x 1.1 x 2 = 148 632 = 824 232	**14 136 / 76% = 18 600**
Stock	**Deferred income**
43 200 x 100/160 = 27 000 x 95% = 25 650	207 900 / 14 = 14 850 x 2 = 29 700
Interest on loan	
Loan 387 000 1 432 500 1 623 600 **578 100**	

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60

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