

ST PETER'S



COLLEGE

1998 - 2023

Name : MARKING GUIDELINES

ACCOUNTING - PRELIMINARY EXAMINATION- PAPER 1 – SESSION 1

DATE :	2 AUGUST 2023	GRADE :	12
EXAMINER :	S. MEYER	TIME :	2 HOURS
MODERATOR :	S. ELIAS H. RAMLALL	TOTAL :	200

INSTRUCTIONS TO CANDIDATES :

1. This **ANSWER BOOKLET** consists of **13** pages and an **INFORMATION BOOKLET** of **7** pages. Please check that your paper is complete.
2. Read the questions carefully and answer all questions in the spaces provided on the answer booklet.
3. It is in your interests to write legibly and present your work neatly.
4. Show all calculations in brackets and **round off to two decimals**.
5. You may **not** use red or green ink. **You may use pencil, but please use a soft, dark pencil.**
6. No abbreviations are allowed.
7. The allocation of marks and approximate time to be taken for each question is as follows:

		Time	Possible Mark	Actual Mark
1.	Inventory, VAT, Assets	30 min	48	
2.	Manufacturing	20 min	34	
3.	Cash Flow Statement	30 min	55	
4.	Company Financial Statements	40 min	63	
		120 min	200	

QUESTION 1**INVENTORY****48 MARKS; 30 MIN**

Refer to the information of SignWave. Round off all amounts to the nearest Rand.

- 1.1 Calculate the value of **closing stock** of **inverters** on 30 June 2023.

$$\text{Units: } 122 + 212 = 334 \checkmark$$

$$\text{Cost: } 817\,400 \checkmark + 1\,442\,900 \checkmark + 23\,600 \checkmark = 2\,283\,900$$

$$2\,283\,900 (3) / 334 (1) = R6\,838 \text{ per unit}$$

$$R6\,818 \times 91 \checkmark = R622\,258 \checkmark$$

(6)

- 1.2 Calculate the **Cost of Sales** of **inverters** for the year ended 30 June 2023.

$$2\,283\,900 \checkmark - 622\,258 \checkmark = 1\,661\,642 \checkmark$$

(See 1.1)

(3)

- 1.3 Calculate the **Gross Profit** on **inverters** for the year ended 30 June 2023.

$$2\,235\,600 \checkmark - 1\,661\,642 \checkmark = 573\,958 \checkmark$$

(see 1.2)

(3)

- 1.4 The owner is considering changing from using the weighted average method to the FIFO method for valuing the inverters.

Would this change result in a higher or lower value of closing stock?
Support your answer by providing a calculation.

x Higher ✓

☐ Lower

$$91 \times 7\,400 \checkmark = 673\,400 \checkmark \quad \checkmark \text{ (See 1.1)}$$

(3)

- 1.5 Calculate the **value** of **lithium batteries** on hand on 30 June 2023.

$$\begin{array}{rcl}
 \checkmark 25 \times 12\,000 & = & 300\,000 \checkmark \\
 \checkmark \underline{18} \times 10\,200 & = & \underline{183\,600} \checkmark \\
 43 & & 483\,600 \boxed{\checkmark}
 \end{array}$$

(5)

- 1.6 Calculate the **Cost of Sales** of **lithium batteries** sold.

$$\begin{array}{rcl}
 64 \times 8\,400 \checkmark & = & 537\,600 \checkmark \\
 55 \times 9\,200 & = & 506\,000 \checkmark \\
 \underline{116} \checkmark \times 10\,200 & = & \underline{1\,183\,200} \checkmark \\
 235 & & 2\,226\,800 \boxed{\checkmark}
 \end{array}$$

(6)

- 1.7 Calculate the number of **lithium batteries** stolen during a robbery.

$$64 \checkmark + 217 \checkmark - 43 \checkmark = 238 - 235 \checkmark = 3 \text{ stolen}$$

(281)

(3)

- 1.8 How could changing from the periodic system to the perpetual system assist with control of stock? Provide TWO reasons.

- Fairly accurate and continuous knowledge of stock on hand ✓
- Comparisons to actual stock count will indicate stock losses sooner ✓

(2)

- 1.9 SignWave expects a substantial increase in the demand for inverters and lithium batteries in the next few months. What effect could this have on the price of these items, and how can SignWave ensure that they take advantage of this situation.

- Would lead to an increase in the price ✓
- SignWave need to buy stock now at the cheaper price in order to have stock available when the demand increases ✓

(2)

1.10 Refer to Information E of the information booklet.

Complete the tangible asset note as it would appear in the financial statements on 30 June 2023. Show all workings clearly in brackets so that part marks can be awarded.

Notes to the financial statements as at 30 June 2023

	VEHICLES
Carrying Value at the beginning of the year	102 000
Cost	200 000
Accumulated Depreciation	(98 000) ✓
Movements	
Additions	156 000 ✓
Disposals	(25 000) ✓✓✓
Depreciation	(36 000) ✓✓✓✓✓✓
Carrying Value at the end of the year	197 000 ✓
Cost	308 000 ✓
Accumulated Depreciation	(111 000) ✓✓

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Show your calculations for the following:

Carrying value of the forklift sold

48 000 – 18 000 = 30 000 – 5 000 = 25 000 ✓
30 000 X 25% ✓ X 8/12 ✓

(3)

Total depreciation on forklifts for the year

Old : $(200\,000 - 48\,000) \checkmark - (98\,000 - 18\,000) \checkmark = 72\,000$

$$72\,000 \times 25/100 = 18\,000$$

New: $156\,000 \checkmark \times 25\% \times 4/12 \checkmark = 13\,000$

Sold: $5\,000 \checkmark = 36\,000 \checkmark$

(6)

Accumulated depreciation on forklifts at the end of the year

$98\,000 \checkmark + 36\,000 \checkmark = 134\,000 - 23\,000 \checkmark = 111\,000 \checkmark$

4

(3)

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QUESTION 2**MANUFACTURING****34 MARKS; 20 MIN****Information relating to Ignite.**

2.1 Complete the following for the year ended 28 February 2023.

Refer to information points 1 to 10.**IGNITE****Production Cost Statement for the year ended 28 February 2023:**

Prime costs	10 612 000✓
Direct materials	9 400 000✓
Direct labour (1 200 000✓ + 12 000✓)	1 212 000✓
Factory overheads	2 904 153✓
Total cost of goods manufactured	13 516 153✓
Work in progress on 1 March 2022	815 000✓
	14 331 153
Work in progress on 28 February 2023	(520 000) ✓
Cost of finished goods manufactured	13 811 153✓

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2.2 Note for Direct Material Costs

Opening stock of raw materials	320 000✓
Purchases (8 330 000 ✓ + 500 000✓)	8 830 000✓
Packaging	400 000✓
Duties	50 000✓
- Closing stock	(200 000) ✓
	9 400 000✓

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2.3 Note for Manufacturing Overhead Costs.

Manufacturing Overheads Costs

Indirect labour (950 000 + 9 500)	959 500✓✓
Depreciation on factory machinery 920 000 x 10%	92 000✓
Factory rental (325 195x12/13= 300 180 x 85%	255 153✓✓
Water and electricity (3 196 000 x 3/6)	1 598 000✓✓
	2 904 653

(7)

2.4 Adam sold more than he produced during the year. How is this possible?

He sold 26 400 panels, but only produced 25 000 as 1 400 panels was	
taken from the opening stock✓✓	
	2

2.5 Although there is a large demand for solar panels, Adam's factory is small and he is producing at full capacity. Adam is concerned that he might not be producing and selling as many solar panels as he needs to.

Refer to information points 10 and 11 in the Information Booklet.

2.5.1 If fixed costs have not changed since the previous year and the variable cost per unit is R640, calculate his break-even point of production.

31 524 000✓	
(1 785 ✓ – 640 ✓) = 27 531,87 = 27 532 panels✓	
1 145	4

2.5.2. Based on your answer in 2.5.1 has he made a profit or a loss for the year ended 28 February 2023? Explain.

Profit/loss: Loss ✓

Reason:	3
Only produced 25 000, but need 27 532 to start making a profit. ✓✓	

QUESTION 3 CASH FLOW STATEMENT 55 MARKS; 30 MIN

Refer to the information relating to Pinto Ltd and complete the following:

- 3.1 Complete the Cash Flow Statement for the year ended 30 June 2023.
Show supporting calculations in brackets.

Statement of Cash Flow for Woodworx Ltd for the year ended 30 June 2023	
Cash flows from operating activities	Do not calculate
Cash generated from operations	777 090 ✓
Interest paid	(46 920) ✓
Dividend paid (99 750 + 86 132)	(185 882) ✓
Tax paid (79 000 + 129 080 – 92 000)	(116 080) ✓
Cash flows from investing activities	Do not calculate
Purchase of fixed assets 320 860	(675 140) ✓
Proceeds from disposal of fixed assets	206 220 ✓
Decrease in Shares in Babu Bank	5 000 ✓
Cash flows from financing activities	Do not calculate
Proceeds from issue of shares	576 080 ✓
Payments on loan	(278 520) ✓
Proceeds from increase in loan	328 600 ✓
Repurchase of shares (56 144 x 9,50)	(533 368) ✓
Net change in cash and cash equivalents	Do not calculate
Cash and cash equivalents beginning of year (668 160 – 660 000) ✓	8 160 ✓
Cash and cash equivalents end of year (289 000 – 175 000) ✓	114 000 ✓

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32 (see calculation page)

3.2 Complete the **Cash generated from operations** note as at 28 February 2023.

Note 1: Cash generated from operations

Net profit before tax (331 920 ✓ X 100/72) ✓	461 000 ✓
Adjustment in respect of	
Loss on disposal of asset	920
Depreciation	212 000 ✓
Interest expense on loan	46 920 ✓
Operating profit before changes in working capital	
Changes in working capital	
* Increase ✓/Decrease in inventory (971 000 – 1 00 700) ✓	(36 000) ✓
* Increase ✓/Decrease in receivables (1 338 000 – 1 197 000) ✓	(141 000) ✓✓
* Increase ✓/Decrease in payables (1200 50 + 40 000 – 973 250 + 34 000) ✓	233 250 ✓✓
Cash generated from operations	

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***Circle the correct definition of the movement**

3.3 Use the Retained Income note to calculate the interim dividend for the year.

RETAINED INCOME

Retained income at beginning of year	470 000 ✓
Net profit after tax	331 920 ✓
Repurchase of shares (56 144 x R2)	(112 288) ✓✓
Dividends on ordinary shares	
Paid	86 132 ☒
Declared	112 500 ✓
Retained income at end of year	491 000 ✓

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CALCULATION PAGE

Use the space provided to show the calculations. All final amounts must be transferred to the relevant preceding question.

Fixed (tangible) assets bought during the year.	(5)
(212 000✓ + 207 140✓ + 6215 000✓) - 5 959 000 ✓ = 675 140✓ 663 140	
Additional loan obtained during the year:	(4)
Loan at the beginning of the year2 590 000 ✓ Interest capitalised46 920 ✓ Repayment of loan (23 210 × 12 months)(278 520) ✓ Additional loan obtained328 600 Loan at the end of the year2 687 000	
Proceeds from the issue of new shares:	(4)
Ordinary share capital at the beginning of the year3 990 000 ✓ Proceeds from the issue of shares576 080 Repurchases of shares (56 144 × 7,50)(421 080) ✓ Ordinary share capital at the end of the year4 145 000 □	
Receivables	
1 322 000 + 8 000 + 8 000 = 1 338 000 1 172 000 + 5 000 + 20 000 = 1 197 000	
Payables	
1 200 500 + 40 000 = 973 250 + 34 000 =	

QUESTION 4 COMPANY FINANCIAL STATEMENTS 63 MARKS; 40 MIN**Refer to the information relating to Tribe IT Ltd.**

4.1 Complete the Statement of Comprehensive Income (Income Statement) of Tribe IT Limited for the year ended 28 February 2023.

Sales [1 600 000 x 100/40✓]	4 000 000✓
Cost of sales	(2 400 000) ✓
Gross profit	1 600 000
Other Income	Do not calculate
Commission Income [36 000 + 2 350✓ – 4 000✓]	38 850 ✓
Provision for bad debts adjustment [2 000 – 1 368]	842 ✓ or 1 322
Profit on sale of asset	7 000
Gross Operating Income	Do not calculate
Operating expenses	Do not calculate
Staff costs [180 000 + 9 000) ✓	189 000✓
Directors' Fees [120 000 +120 000✓ + (2 X 132 000 or 264 000✓✓)]	504 000✓
Sundry expenses [45 000 -1 700✓]	43 300✓
Insurance [11 350 - 2 565✓✓]	8 785✓
Donations [2 X 10 500]	21 000✓✓
Bad debts (1 400 x 40%)	560✓✓
Trading stock deficit	1 061✓✓✓
Discount allowed	500✓✓
Loss due to burglary (5 000✓ + (10 000✓ - 8 500✓)	6 500
Operating Profit	Do not calculate
Interest Income (60 000 x 8%)✓✓	4 800
Profit before Interest Expense	Do not calculate
Interest Expense [29 000 + 16 500) ✓ (26 000 + 19 500)	(45 500) ✓
	Do not calculate
Income Tax (194 000 ✓ + 37 000 ✓)	(231 000) ✓
Net profit for the year	Do not calculate

4.2 Complete the following notes to the financial statements as at 28 February 2023.

4.2.1 Trade and other receivable

Net trade debtors	37 442 ☒
Debtors control [40 000 – 1 400 ✓ - 15 500 ✓ - 500 ✓]	22 600 ☒
Less: Provision for bad debts	(678) ☒
Accrued Income (8 500 ✓ + 2 350) ✓	10 850
Deferred expense	2 565 ✓
	Do not calculate

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4.2.2 Cash and Cash Equivalents

Bank (-800 ✓ + 15 500 ✓ – 5 460 ✓ – 5000 ✓)	
Petty Cash	5 000 ✓
Fixed deposit (60 000/3)	20 000 ✓✓
	Do not calculate

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4.2.3 Trade and other payables

Trade creditors	235 200
Accrued expense (16 500 ✓ + 384 000 ✓✓)	400 500 ✓
Short term part of loan	30 000 ✓✓
SARS (income tax)	37 000 ✓
Shareholders for dividends	32 000 ✓
	Do not calculate

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CALCULATION PAGE

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

Interest on loan	Provision for bad debts adjustment
$400\,000 \times 13\% \times 6/12 = 26\,000$ $300\,000 \times 13\% \times 6/12 = 19\,500$ 45 500	
Interest on Fixed Deposit	Directors fees
$60\,000 \times 8\% = 4\,800$	$120\,000/6 = 20\,000 \text{ p.m}$ $120\,000 \times 1.2 = 132\,000$ $120\,000 \times 2 = 240\,000$ $132\,000 \times 2 = 264\,000$ 504 000
Trading stock deficit / surplus	Insurance
$281\,000 - 10\,000 - 21\,000 = 250\,000$ $250\,000 - 248\,939 = 1\,061$	$300 \times 95\% = 285 \times 9 = 2\,565$