

**INFORMATION SHEET – GR. 12 - ACCOUNTING PAPER 1 – 2 AUGUST 2023****QUESTION 1 INVENTORY, ASSETS 48 MARKS; 30 MIN**

The following information relates to SignWave.

South Africa is currently in the grips of an electricity crisis. SignWave specialises in the buying and selling of inverters and lithium batteries that can be used during periods of loadshedding. Their financial year ended on 30 June 2023. They make use of the periodic inventory system and value their stock as follows:

- Inverters using the weighted average method (W/A).
- Lithium batteries using the FIFO method.

A. The following stock balances appeared in the General Ledger:

	Inverters (Weighted Average)			Lithium Batteries (FIFO)		
	Units	Cost per Unit	Total	Units	Cost per Unit	Total
Opening Stock 01/07/2022	122	R6 700	R817 400	64	R8 400	R537 600
Closing Stock 30/06/2023	91	?	?	43	?	?

B. Purchases and returns:

	Inverters (Weighted Average)			Lithium Batteries (FIFO)		
	Units	Cost per Unit	Total	Units	Cost per Unit	Total
September 2022 purchases	77	R6 700	R 515 900	55	R9 200	R 506 000
January 2023 purchases	47	R5 600	R 263 200	141	R10 200	R1 438 200
January 2023 returns	(7)	R5 600	R (39 200)	(4)	R10 200	(40 800)
April 2023 purchases	95	R7 400	R 703 000	25	R12 000	R 300 000
TOTAL	212		R 1 442 900	217		R2 203 400

C. Transport costs of inverters from the supplier to SignWave was R23 600.

D. Sales for the period 1 July 2022 to 30 June 2023:

Inverters			Lithium Batteries		
Units	Selling price per Unit	Total	Units	Selling price per Unit	Total
243	R9 200	R 2 235 600	235	R14 000	R3 290 000

E. The following information relates to the **non-current assets** of the business:

- The business has a number of forklifts to assist with the unloading and transporting of the inverters. One of the forklifts keeps breaking down, and repair costs on this forklift is escalating. The business has decided to sell this forklift and trade it in on a newer model.

The bookkeeper had started the asset disposal procedure by updating the asset register for the forklift to be sold, but **had made an error in doing this**. She did not know how to continue with the procedure so no other entries have been made to record the disposal or the purchase.

The forklift was traded in on 28 February 2023 for R16 000, and replaced with a newer model costing R156 000.

- Depreciation on the forklifts is calculated at 25% p.a. using the diminishing balance method.

Asset register for the forklift to be sold:

ASSET		FORKLIFT A	
Date of purchase		1 November 2020	
Cost price		R48 000	
Depreciation rate and Method		25 % p.a. diminished balance method	
Date	Depreciation	Accumulated depreciation	Carrying value
30 June 2021	R8 000	R8 000	R40 000
30 June 2022	R10 000	R18 000	R30 000
28 February 2023	R7 500	R25 500	R22 500

QUESTION 2**MANUFACTURING****34 MARKS; 20 MIN**

Ignite, is a factory that manufactures solar panels which supplies it to small businesses. The business is owned by Adam.

1. The following figures were included in the inventory note to the Statement of Financial Position on 28 February:

	2023	2022
Stock of raw materials	200 000	320 000
Stock of work-in-progress	520 000	815 000
Stock of finished goods	101 300	1 519 500

2. Aluminium, plastic and other basic components (raw materials) to the value of R8 330 000 were bought during the year.
3. Special packaging for ensuring the safekeeping of the solar panels cost R400 000. These are treated as part of raw materials.
4. Some parts had to be imported from China at a cost of R500 000. Custom duties of 10% of the purchase price is charged.

5. The following salary and wage expenses were incurred:

	Gross salary/ wages	UIF contributions
Sales and administrative assistant	390 000	3 900
Factory supervisor	950 000	9 500
Factory workers	1 200 000	12 000

6. The factory was equipped with suitable machines at a cost of R920 000 two years ago, on 1 March 2021. The machinery is of good quality and is expected to last a number of years. The depreciation policy is to write the machinery off at the rate of 10% p.a. on cost price.
7. The trial balance includes an amount of R325 195 for rental of an old, small building. The offices takes up 15% of the space, the remainder being used for the factory. One month's rent has been paid in advance.
8. The factory water and electricity amounted to R3 196 000. This must be divided in the ratio 3:2:1 between the factory, office and marketing respectively.
9. During the year the business produced 25 000 solar panels, and sold 26 400 panels.
10. Each solar panel is marked with a selling price of R1 785.
11. The cost accountant has calculated the total fixed costs for the year to be R31 524 000 and the variable cost per unit to be R640.

QUESTION 3 CASH FLOW STATEMENT 55 MARKS; 30 MIN

Pinto Ltd is a company selling all types of electrical appliances. They have an authorised share capital of 12 000 000 shares. Their financial year ends on 30 June each year.

1. Extract from the Statement of Comprehensive Income (Income Statement) for the year ended 30 June revealed the following:

	30 June 2023 R	30 June 2022 R
Depreciation	R212 000	R214 000
Loss on disposal of an asset	920	0
Interest expense on loan	46 920	54 000
Net profit after taxation (after all adjustments were taken into account)	331 920	335 520

2. Extract from the Statement of Financial Position (Balance Sheet) on 30 June:

STATEMENT OF FINANCIAL POSITION	30 June 2023 R	30 June 2022 R
Carrying value of fixed (tangible) assets	6 215 000	5 959 000
Investment in shares at Babu Bank	101 000	106 000
Inventories (Trading stock only)	1 007 000	971 000
Trade debtors	1 322 000	1 172 000
Prepaid expenses (Telephone)	8 000	5 000
Accrued income (Rent income)	8 000	20 000
Cash and cash equivalents	289 000	668 160
Bank overdraft	175 000	660 000
Ordinary share capital	4 145 000	3 990 000
Retained earnings/ income	491 000	470 000
Loan from Mandla Bank	2 687 000	2 590 000
Trade creditors	1 200 500	973 250
SARS: Income tax	Cr 92 000	Cr 79 000
Accrued expenses (Water and electricity)	40 000	34 000
Shareholders for dividends	112 500	99 750

3. Additional information:

3.1 Income tax for the year is calculated at 28% of the net profit.

3.2 Fixed (tangible) assets:

- The only fixed (tangible) asset sold for cash was a vehicle. The vehicle was sold at a loss. On the date of sale (30 June 2023), the vehicle was sold for R206 220 cash.
- An additional fixed (tangible) asset (building), was bought for cash during the year.

3.3 Loan from Mandla Bank:

- Fixed **monthly** repayment of the loan including interest amounts to R23 210.
- Interest is capitalised.
- There was an increase recorded in the loan account in the current financial year.

3.4 Ordinary share capital and dividends:

- On 1 July 2022, additional shares were issued at R5 each.
- On 31 December 2022, the interim dividend was declared and paid.
- On 30 June 2023, 56 144 ordinary shares were repurchased from a disgruntled shareholder **at a price of R2 above the average share price of R7,50.**

QUESTION 4 COMPANY FINANCIAL STATEMENTS 63 MARKS; 40 MIN

The following information was taken from the records of Tribe IT LTD for the year ended 28 February 2023. The business sells computers and other electronics to schools and businesses.

The figures already entered into the Statement of Comprehensive Income and notes to the Financial Statements are from the pre-adjustment trial balance on 28 February 2023.

- A. Extract from the financial statements as at 28 February 2023 **before the adjustments below.**

Balance Sheet Accounts Section	Debit	Credit
Land and buildings	930 000	
Equipment	510 100	
Accumulated depreciation on equipment		231 000
Fixed Deposit (8%)	60 000	
Trading stock	281 000	
Loan from Long-term Lenders (13% p.a.)		300 000
SARS (provisional tax)	194 000	
Provision for bad debts		2 000
Accrued Income : Commission	4 000	
Bank		800
Petty Cash	5 000	
Nominal Accounts Section		
Asset disposal (profit on sale of asset)		7 000

- B. Adjustments and additional information **that have not been taken into account.**

- Gross profit amounted to 40% of turnover.
- Commission income of R2 350 is owed to the business.
- Packing materials of R1 700 are on hand at the end of the year. Packing materials are included in Sundry expenses.
- Only one of the two directors has been paid his fees for 6 months of the year. The fees were increased by 10% half-way through the financial year. Provide for fees owing. Both directors earn the same annual fees.
- Provide for outstanding interest on loan. This interest is not capitalised. The loan was taken out several years ago. A payment of R100 000 was made on 31 August 2022. This has been properly recorded. The capital repayment portion of the loan is R30 000 per year.

6. A robbery took place and R5 000 was stolen from the cash registers as well as R10 000 worth of stock. The insurance company had advised that the cash is not insured, but the stock is insured. The contract states that claims will be paid, after subtracting an excess cost of 15% of the claimed amount. The claim will be paid in March 2023.
7. A physical stocktaking was done which revealed that R248 939 worth of trading stock was on hand on 28 February 2023. On the same day, two HD laptops with a cost price of R10 500 each were donated to a local primary school. This was done before the stocktaking was conducted and no entry has been made to record this donation.
8. The income tax assessment for the year reflected that the business owed SARS an amount of R37 000 on 28 February 2023.
9. Tonya, a debtor who owed R1 400 was declared insolvent. Their estate paid out 60 cents in the rand, the rest must be written off.
10. Provision for bad debts must be adjusted to 3% of the current trade debtors.
11. The bank statement was received at the end of the month and contained the following information :
 - Debit order for cell phone costs, R5 460
 - Direct deposit from debtor, R15 500, in settlement of her account, R16 000.
12. One of the insurance policies is paid one year in advance. This payment was made on 1 December 2022. Tribe IT Limited was quoted R300 per month for the year. They receive a 5% discount for paying up front.
13. The bookkeeper neglected to record the gross salary, R9 000, of one of the employees in the Statement of Comprehensive Income. All other entries were recorded.
14. Interest on Fixed Deposit is to be capitalised at the end of the year. One third of the fixed deposit will expire within the next 6 months.
15. A final dividend of R32 000 was declared.
16. The bookkeeper forgot to reverse the accrued commission income at the beginning of the year.