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INTERNATIONAL SECONDARY CERTIFICATE EXAMINATION
MAY 2023

ACCOUNTING: PAPER I

Time: 2 hours

200 marks

INFORMATION BOOKLET

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QUESTION 1 INVENTORIES**(46 marks; 28 minutes)****Information relating to Simelane Traders.**

The information below was extracted from the financial records of Simelane Traders, which is owned by Jabulani Simelane.

Simelane Traders specialises in buying and selling 'Party Box 310 – 240 watt portable Bluetooth speakers'.



The business uses the perpetual inventory system. Simelane Traders applies a fixed mark-up of 30% on cost at all times. Simelane Traders uses the FIFO method when valuing their inventory.

1. The following details relate to inventory, purchases, and sales in the current financial year:

Date	Details	No. of items	Price per item R	Total R
1 July 2021 – 30 June 2022	Total sales	?	?	?
1 July 2021	Opening inventory	22	?	205 381
	Total purchases	530		5 865 775
1 Oct 2021	Cash purchases	200	9 786	1 957 200
20 Jan 2022	Cash purchases	200	10 252	2 050 400
15 Mar 2022	Credit purchases	55	12 815	704 825
20 May 2022	Credit purchases	75	15 378	1 153 350
31 Jan 2022	Return from 20 January 2022 purchases	(7)	10 252	(71 764)
30 June 2022	Net purchases	523		5 794 011

2. The courier company that delivers inventories from the supplier's warehouse to Simelane Traders charges R15,50 per item bought. These costs are **not** included in the above mentioned purchase price per item. However, the opening inventory value includes carriage costs.
3. On any of the items returned, Simelane Traders cannot claim a reduction in the carriage costs.
4. Due to looting and theft that took place during the financial year, Simelane Traders lost 18 Bluetooth speakers. 10 of the items were from the purchases on 1 October 2021 and 8 items were from 1 July 2021 opening inventory.
5. The physical inventory count as of 30 June 2022 revealed that only 50 items were on hand.

QUESTION 2 FINANCIAL STATEMENTS (57 marks; 34 minutes)**Information relating to Mulenga Ltd.**

Mulenga Ltd is a company with authorised ordinary shares of 2 000 000. The company specialises in buying and selling new computers and external hard drives.

Extract from the Post adjustment trial balance as of 30 June 2022.

Investment in Farai Bank	2 877 000
Trading stock	2 980 665
Trade debtors	5 965 279
Cash and cash equivalents	4 230 041
Deferred income	2 741
Trade creditors	7 173 415
Loan receivables	109 000
Accrued income	47 399

ADDITIONAL INFORMATION:

- The income tax expense for the current financial year of R155 780 was calculated at a rate of 25%. The rate that should have been used is 30%.
- On 28 February 2022 a delivery vehicle was sold for a cash price of R120 714. The following details were obtained from the fixed assets register:
 - Cost price, R213 000
 - Accumulated depreciation (1 July 2021), R76 680
 - Rate of depreciation: 20% p.a. on the diminishing balance method.
 No entries have been recorded.
- The company paid for a marketing campaign to the value of R3 390, which will take place on 31 July 2022. The bookkeeper recorded the cash payment and the transaction was debited to marketing expenses and credited to Bank.
- The company has decided to decrease the provision for bad debts by R9 725.
- Over the next financial year, Mulenga Ltd will reduce the capital lump sum of the loan from Makete Bank with a payment of R243 036.

6. Ordinary share capital:

- On 1 July 2021 there were 940 900 shares in issue.
- 31 500 additional ordinary shares were issued on 25 February 2022 at R12,50 per share. The amounts received were deposited directly into the bank account of the business and recorded in the ledger bank account, however, it was discovered that the corresponding entry was omitted from the business' ordinary share capital account.
- On 28 June 2022, the company repurchased 13 400 shares from the disgruntled shareholders at R19,36 per share. The bookkeeper did not record the transaction as he was not sure how to treat the transaction.

7. Provisional income tax payments made to SARS during the current financial year amounted to R59 080. This has been recorded.

8. Dividends:

- Interim dividends of 15 cents per share were declared and paid to shareholders in March 2022. This transaction is not yet recorded in the business records.
- Final dividends of 20 cents per share were declared on 30 June 2022. Shares repurchased do not qualify for these dividends.

QUESTION 3 CASH FLOW STATEMENT**(55 marks; 33 minutes)****Information relating to Cules Ltd.**

The company operates as a supermarket.

- A. Extract from the Statement of Comprehensive Income (Income Statement) for the year ended 30 June 2022.

	R
Cost of sales	126 817 000
Interest on mortgage bond	3 095 000
Depreciation	5 336 000
Net profit after taxation	5 762 880
Income tax for the year	2 241 120

- B. Extract from the Statement of Financial Position (Balance Sheet) as of 30 June.

	2022 R	2021 R
Fixed (Tangible) assets	30 380 000	24 524 000
SARS: Income Tax (Cr)	416 000	1 148 000
Retained income	15 016 000	13 141 000
Trade debtors	3 921 000	4 106 000
Mortgage Bond from Majozi Bank	27 577 000	35 396 000
Trade creditors	22 648 000	20 157 000
Trading inventory	18 396 000	18 845 000
Bank overdraft	1 221 000	2 095 000
Shareholders for dividends	78 000	112 000
Investment in Barai Bank	15 642 000	20 697 000
Expenses payable	873 000	864 000
Ordinary share capital	6 061 000	6 710 000
Cash and cash equivalents	7 950 000	12 114 000
Deferred income (Commission income)	2 921 000	3 103 000
Accrued income (Rent Income)	522 000	2 440 000
Prepaid expenses (Insurance)	283 000	229 000

ADDITIONAL INFORMATION:

1. Additional fixed assets totalling R15 327 000 were bought during the financial year.
2. Equipment was sold at its carrying value during the financial year.
3. Interim and final dividends for the year amount to R2 228 680.
4. There were 275 500 ordinary shares in issue on 30 June 2022.
5. No new shares were issued during the year, however, there were repurchases of shares on the last day of the financial year.
6. The repurchase of shares amount in the Retained income account was recorded as R1 659 200.
7. Interest on the mortgage loan is capitalised.
8. During the year a mortgage loan repayment of R14 628 000 was made. This includes interest payments.
9. Cules Ltd has also increased its mortgage loan during the year.

QUESTION 4 MANUFACTURING**(42 marks: 25 minutes)****Information relating to Boots for Africa.**

Boots for Africa is a business that specialises in the manufacture of steel-toed safety boots for use in industrial plants and mines. The business is based in Umhlanga, north of Durban, in KwaZulu-Natal, South Africa. Their safety boots carry the SABS stamp of approval and because of this, they have contracts to supply boots to several mines in South Africa. The business applies a fixed mark-up of 33⅓% on cost.

Factory overhead and administration costs are regarded as fixed costs, and other costs are variable.

Information:

1. Inventory balances:

	30 June 2022	1 July 2021
Direct materials	72 900	80 100
Work-in-progress	?	1 233 000
Finished goods stock	?	216 000

2. Labour:

- Direct labour (including contributions) totaled R1 023 797. However, it was discovered that the wages journal for **the last week of June 2022** had not been posted to the general ledger.
- The business employs 20 factory workers. They are paid at a rate of R24 per hour (normal time) and are required to work the following shifts per week:
 - 3 weekdays of 8 hours each at a normal rate;
 - One night shift of 6 hours at a rate of one and half times the normal rate;
 - They are also required to work one full weekend (overtime) per month of 8 hours per day at double the normal rate times. 5 employees work each weekend.
 - PAYE deduction is 18% of total wages;
 - UIF and Skills Development Levy deductions are both 1% of basic wages.
 - Pension deduction is 7,5% and medical aid fund deduction is 5% of basic (normal time) wages.
 - The company contributes R2,00 for every R1,00 deducted from wages to pension and medical aid funds. The employer's contributions are debited to the salaries and wages account. The employer contributes 1% of the basic wages to the UIF and Skills Development Fund.
 - All the employees fulfilled their duties.
- The factory foreman earns an annual salary of R120 000. The company contributes 1% to UIF and 8% to a pension fund.

3. Raw materials:
- Direct materials bought for cash and on credit, R967 680.
 - Direct materials returned to suppliers, R50 850.
 - Leather for the boots was imported from Malaysia at a cost of Malaysian Ringgit (also known as Malaysian dollar) RM 20,50 per m². A total of 900 m² of leather was bought during the year. The exchange rate is R3,46 to the RM1 (Malaysian dollar).
 - Ram Couriers transported the learner at a cost of R6 030.
4. Sales for the year amounted to R4 004 000. The selling price per pair of boots is R250,25.
5. Operating expenses for the financial year:

Administration costs	340 000
Selling and distribution costs	285 000