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TOTAL MARKS

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NATIONAL SENIOR CERTIFICATE EXAMINATION  
NOVEMBER 2020

ACCOUNTING: PAPER I

EXAMINATION NUMBER

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Time: 2 hours

200 marks

PLEASE READ THE FOLLOWING INSTRUCTIONS CAREFULLY

- 1. This question paper consists of 10 pages, an Information Booklet of 9 pages (i–ix) and a Formula Sheet of 1 page (i). Please check that your question paper is complete.
- 2. Read the questions carefully.
- 3. Answer the questions in the space provided.
- 4. It is in your own interest to write legibly and to present your work neatly.
- 5. You may **not** use red or green ink. **You may use a pencil, but please use a soft, dark pencil.**
- 6. All calculations should be rounded off to **two decimal places**.
- 7. The allocation of marks and appropriate time to be taken for each question are as follows:

	Possible marks	Actual marks	Marker signature	Moderator signature
Question 1: Inventory Control and VAT (27 minutes)	45			
Question 2: Financial Statements (33 minutes)	55			
Question 3: Cash Flow Statement (29 minutes)	49			
Question 4: Manufacturing and Asset disposal (31 minutes)	51			
TOTAL	200			

**QUESTION 1      INVENTORY CONTROL AND VAT      [45 marks; 27 minutes]**

**Refer to the Information Booklet for information relating to WIN LTD.**

**PART A**

Study the information relating to Win Ltd then answer the following questions:

- 1.1 Calculate the cost of one box of medals on 30 June 2020, using the weighted average method.

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(7)

- 1.2 Complete the trading statement for medals on 30 June 2020.

Sales	
Cost of Sales	
Gross Profit	

(13)

- 1.3 Calculate the rand value of the closing stock for trophies.

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(10)

**PART B VAT IS CALCULATED AT 15%**

1.4 Calculate the applicable VAT amount per transaction and then clearly state if this will increase or decrease the opening balance given.

**Refer to the VAT transactions 1–5 in the Information Booklet. Transaction 1 has been done correctly. Complete transactions 2–5.**

#	VAT amount	Increase or decrease
	<b>Opening balance</b>	<b>33 050(dr)</b>
<b>1</b>	<b>9 900</b>	<b>decrease</b>
2		
3a	<b>270</b>	
3b		
4		
5		

(11)

1.5 Jacorine has recently heard that Start to Finish Ltd is eligible to use the receipt based method for paying VAT over to SARS. Would you suggest that she make this change, what impact might this have on Start to Finish Ltd?


(3)

1.6 After 90 days Start to Finish Ltd charge 12% interest on any amounts still outstanding from debtors. Explain whether the VAT on the interest income would be accounted for by the business. Give a reason for your answer.


(1)

**QUESTION 2 FINANCIAL STATEMENTS**

**[55 marks; 33 minutes]**

**Refer to the Information Booklet for information relating to HIKE CENTRAL LTD.**

**All workings need to be shown as part marks will be allocated to them.** The number of lines does not represent the number of entries required.

2.1 Complete the extract of the Statement of Comprehensive Income (Income Statement) for the year ending 30 June 2020.

**HIKE CENTRAL LTD**  
**Extract of Statement of Comprehensive Income for year ending 30 June 2020**

<b>Other operating incomes</b>	<b>Do not calculate</b>
Rent Income (133 200)	
<b>Gross operating income</b>	<b>Do not calculate</b>
<b>Operating expenses</b>	<b>Do not calculate</b>
Directors' fees (87 939)	
Advertising & Marketing expense (12 400)	
Discount allowed (1 174)	
<b>Operating profit before interest</b>	<b>Do not calculate</b>

Calculations should be shown in the boxes below or in the statement of comprehensive income to be awarded part marks.

<b>Rent Income</b>	<b>Depreciation on Equipment</b>
<b>Provision for bad debts adjustment</b>	<b>Trading Stock deficit/surplus</b>

2.2 Complete the following notes to the financial statements as it would have appeared on 30 June 2020. All workings must be shown.

<b>TRADE AND OTHER RECEIVABLES</b>	<b>AMOUNT</b>
Net trade debtors	
	<b>Do not calculate</b>

(9)

<b>CASH AND CASH EQUIVALENTS</b>	<b>AMOUNT</b>
	<b>Do not calculate</b>

(6)

<b>RETAINED INCOME</b>	<b>AMOUNT</b>
Retained income at the start of the year	
Dividends	
Paid	<b>134 844</b>
Retained income at the end of the year	

(10)

<b>TRADE AND OTHER PAYABLES</b>	<b>AMOUNT</b>
Trade creditors	<b>312 400</b>
	<b>Do not calculate</b>

(4)

**QUESTION 3 CASH FLOW STATEMENT**

**[49 marks; 29 minutes]**

**Refer to the Information Booklet for information relating to SPEIRS LTD.**

- Some figures have been filled in for you, these figures are correct.
- Any workings must be shown in the blocks provided.

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

Profit before taxation	
Adjustment in respect of:	<b>Do not calculate</b>
Depreciation	
Interest expense	
Operating profit before changes in working capital	<b>Do not calculate</b>
Changes in working capital	
_____ in Inventory	
_____ in trade and other receivables	
_____ in trade and other payables	
<b>Cash generated from operations</b>	<b>Do not calculate</b>

<b>Inventory</b>	<b>Trade and other payables</b>
<b>Depreciation</b>	

(22)

3.2 Calculate the mortgage bond increase on 1 February 2020.

(7)

3.3 3.3.1 Interest on mortgage bond paid

<b>Workings</b>
<b>Amount paid:</b>

(4)

3.3.2 Taxation paid

<b>Workings</b>
<b>Amount paid:</b>

(4)

3.4 Calculate the total dividends paid and declared for the year.

<b>Workings</b>
<b>Amount paid and declared:</b>

(5)

3.5 Complete the Cash Flows From Financing Activities section of the Cash Flow Statement for the year ended 29 February 2020.

<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>	<b>Do not calculate</b>

(7)

**QUESTION 4      MANUFACTURING AND ASSET DISPOSAL [51 marks; 31 minutes]**

**Refer to the Information Booklet for details relating to FOOTI FOOTGEAR LTD.**

All workings must be shown in the calculation blocks for part marks to be awarded.

4.1 Complete the Tangible Asset note as it would appear in the Statement of Financial Position as at 30 June 2020. Use **information A** from the Information Booklet.

<b>NOTE 3: TANGIBLE ASSETS</b>	<b>VEHICLES</b>
Carrying Value on 1 July 2019	
Cost price	
Accumulated depreciation	<b>(135 300)</b>
Movements	<b>Do not calculate</b>
Additions	
Disposals at carrying value	
Depreciation	
Carrying value on 1 July 2020	<b>Do not calculate</b>
Cost price	<b>257 000</b>
Accumulated depreciation	

<b>Disposals at carrying value</b>	<b>Depreciation</b>

(13)



4.2 Complete the following notes to the production cost statement.

**Note: Raw Materials**

Raw material stock @ beginning of the year	
	<b>647 379</b>

(6)

**Note: Factory Overhead Cost**

	<b>899 001</b>

Rent expense	Insurance

(14)

4.3 Complete the Production Cost Statement for 30 June 2020.

**Footi Footgear Ltd:  
Production Cost Statement for the year ended 30 June 2020**

<b>Prime Costs</b>	
Direct Material Cost	<b>647 379</b>
Direct Labour Cost	
Factory Overhead Cost	<b>899 001</b>
<b>Total Manufacturing Cost</b>	
Work in process stock @ the beginning of the year	<b>20 000</b>
Work in process @ the end of the year	
<b>Total production cost of Finished Goods</b>	

<b>Total production cost of Finished Goods</b>	<b>Direct Labour Cost</b>

(13)

4.4 Footi Footgear Ltd outsources their delivery on sales to FastCar and pays for this service themselves. They are considering employing a driver and using their own vehicle instead. Discuss two factors that need to be considered before making their decision.

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(4)

4.5 Due to a factory worker strike a large amount of work in process has been left on the production floor. Their current cash flow does not allow management to increase wages. Provide one solution which may convince the factory workers to return to work.

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(1)