



NATIONAL SENIOR CERTIFICATE EXAMINATION
SUPPLEMENTARY EXAMINATION – MARCH 2016

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 11 pages and an Information Booklet of 10 (i – x) pages with a Ratio Sheet on 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 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: Manufacturing (25 minutes)	45			
Question 2: Company financial statements (48 minutes)	80			
Question 3: Cash flow statements (30 minutes)	50			
Question 4: VAT and Cash Budgets (17 minutes)	25			
TOTAL	200			Checker

QUESTION 1 MANUFACTURING**(45 marks; 25 minutes)****Refer to the information relating to Crossfit Manufacturers.****Refer to Information for Part A to answer the following:**

- 1.1 Complete the production cost statement for the year ending 31 January 2016 together with selected notes. Show all calculations in brackets so part marks can be awarded.

Crossfit Manufacturers Production cost statement for the year ending 31 January 2016	
	R
Prime/Direct costs	
Raw materials cost	
Direct labour cost	
Factory overheads cost	
Total cost of goods manufactured	
Work-in-progress	2 125 000
Work-in-progress	
Cost of production of finished goods (

(11)

Crossfit Manufacturers
Notes to the production cost statement for the year ending 31 January 2016

Note 1 Raw materials cost

Opening stock of raw materials	3 125 000
Closing stock of raw materials	(175 000)

(6)

Note 2 Direct labour cost

(8)

Note 3 Factory overheads cost

(12)

Refer to Information for Part B to answer the following:

- 1.2 Calculate the number of units needed in order for Crossfit Manufacturers to break even.

(5)

- 1.3 The owner is concerned about the profitability of the business. With reference to the break-even calculation above, and other relevant figures, do you think the owner's concerns are justified?

(3)

QUESTION 2 COMPANY FINANCIAL STATEMENTS (80 marks; 48 minutes)**Refer to PART A, which contains information relating to Steinric Limited. (9 marks)**

Using the information given in Part A, answer the following multiple choice questions.
Circle the letter that corresponds to your answer.

- 2.1 The weighted average issue share price of the shares re-purchased by the company (rounded off to the nearest cent) is:
- A 276 cents
 - B 252 cents
 - C 244 cents
 - D 220 cents
- (2)
- 2.2 The number of shares in issue at the year ended 29 February 2016 is:
- A 8 000 000 shares
 - B 6 050 000 shares
 - C 6 525 000 shares
 - D 7 900 000 shares
- (2)
- 2.3 The ordinary share capital amount in the Balance Sheet as at 29 February 2016 would be:
- A R19 250 000
 - B R8 800 000
 - C R10 726 000
 - D R19 282 000
- (2)
- 2.4 Choose the most correct statement when shares are bought back by a company at a price higher than the weighted average price is:
- A The full amount of the buy-back of shares is debited to the share capital account.
 - B The excess between the weighted average price of the shares and the amount paid is debited to the retained income account.
 - C The full amount of the buy-back of shares is debited to the retained income account.
 - D The excess between the weighted average price of shares and the amount paid is credited to the retained income account.
- (1)
- 2.5 The net effect from the movement of shares as shown in the cash flow statement for the year ended 29 February 2016 is:
- A R10 450 000 inflow
 - B R10 726 000 inflow
 - C R10 482 000 inflow
 - D R9 641 000 inflow
- (2)

PART B**(71 marks)****Refer to the Information in Part B to answer the following:**

- 2.6 Complete the statement of comprehensive income (income statement) for the year ending 29 February 2016.

Hwange Limited	
Statement of comprehensive income for the year ending 29 February 2016	
Sales (2 661 900 – 66 540)	2 595 360
Cost of Sales	(1 662 500)
Gross profit for the year	932 860
Other operating income	
Discount received	68 820
Bad debts recovered (1 100	
Rental income (248 064	
Gross operating income for the year	
Operating expenses	
Bank charges	11 540
Salaries and wages	328 860
Insurance (45 600	
Directors fees (220 000	
Stationery (3 260	
Bad debts (2 700	
Operating profit for the year	
Interest income	
Profit before finance costs	
Interest expense	
Net profit before taxation	
Taxation	
Net profit after taxation	

(42)

2.7 Complete the selected notes to the financial statements.

Hwange Limited
Notes to the financial statements

Note 3 Tangible assets

	Plant and Property	Vehicles	Equipment
Carrying value at the beginning of the year	1 620 000		
Cost	1 620 000		
Accumulated depreciation			
MOVEMENTS DURING THE YEAR			
Additions			
Disposals			
Depreciation			
Carrying value at the end of the year	1 620 000		
Cost	1 620 000		
Accumulated depreciation			

(18)

Note 8 Retained income

Retained income at the beginning of the year	
Retained income at the end of the year	

(11)

QUESTION 3 CASH FLOW STATEMENTS**(50 marks; 30 minutes)**

- 3.1 Complete notes for the reconciliation of profit before taxation and cash generated from operations. Show all calculations in brackets so part marks can be awarded.

Nedstart Ltd**Notes to the cash flow statement for the year ending 31 December 2015**

Profit before taxation	
Adjustment in respect of:	
Depreciation	
Interest expense	
Operating profit before changes in working capital	1 134 350
Changes in working capital	
Increase/Decrease in inventory	
Increase/Decrease in debtors	
Increase/Decrease in creditors	
Cash generated from operations	

(15)

- 3.2 Complete the cash flow statement for the year ending 31 December 2015. All calculations must be shown in brackets so part marks can be awarded.

Nedstart Ltd
Cash flow statement for the year ending 31 December 2015

Cash flows from operating activities	
Cash generated from operations	
Interest paid	
Dividends paid	
Taxation paid	
Cash flows from investing activities	
Tangibles assets purchased (
Proceeds from the sale of tangible assets	
Cash flows from financing activities	
Proceeds of new share issue	
Proceeds of long-term loans	
Repayment of long-term loans (
Net change in cash and cash equivalents	
Cash and cash equivalents at the beginning of the year	
Cash and cash equivalents at the end of the year	

(29)

- 3.3 The company has plans to buy-back 200 000 shares. As a result, they decided to sell the new shares at R3 each in order to lower the weighted average per share. Comment on whether you think this action is ethical.

(2)

- 3.4 As a shareholder, would you be happy with Nedstart Ltd's management of cash?
By referring to the cash flow statement, provide two reasons in support of your answer.

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(4)

50

QUESTION 4 VAT AND CASH BUDGETS**(25 marks; 17 minutes)****Refer to Part A of the information relating to Multizone Sports.**

- 4.1 'By calculating budget variances the business is exercising good internal control'. Do you agree with this statement? Substantiate your answer by providing two reasons.

Yes or No:
Reason 1:
Reason 2:

(4)

- 4.2 Senior management have identified a number of problems in the cash budget, which was drawn up by the accountant. Identify and explain two problems that would be of concern to management. Your answer must draw on the figures presented in the cash budget.

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(4)

- 4.3 The accountant obviously did not do a good job in preparing the budget. Provide a solution that management could implement to ensure that this does not happen again. Bear in mind that it is against labour law to fire the accountant.

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(2)

- 4.4 Multizone Sports uses a fixed base of stock, and applies a 50% mark-up on cost to all goods sold. By providing figures from the cash budget, show that the business has not adhered to their budgeted policy of maintaining a fixed base of stock.

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(3)

4.5 What could a possible consequence be of not maintaining a fixed base of stock?

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(1)

4.6 Explain why there is no payment to SARS for VAT in the January budget.

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(1)

4.7 Provide a possible explanation as to why the actual additional operating expenses figure in the cash budget for January 2016 is substantially less than the budgeted figure.

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(2)

Refer to Part B of the information relating to Multizone Sports.

4.8 Calculate the amount owing to SARS in respect of VAT at the end of February 2016 after taking transactions 1 – 5 into account. Clearly state whether the amount would be added or subtracted by using a (+) or (–).

Transaction number	Amount owing to SARS
1.	R8 120
2.	
3.	
4.	
5.	

(8)

25

Total: 200 marks