



NATIONAL SENIOR CERTIFICATE EXAMINATION
SUPPLEMENTARY EXAMINATION 2015

ACCOUNTING: PAPER I

Time: 2 hours

200 marks

INFORMATION BOOKLET

$\frac{\text{Gross Profit}}{\text{Sales}} \times \frac{100}{1}$	$\frac{\text{Gross Profit}}{\text{Cost of sales}} \times \frac{100}{1}$	$\frac{\text{Net Profit}}{\text{Sales}} \times \frac{100}{1}$
$\frac{\text{Operating expenses}}{\text{Sales}} \times \frac{100}{1}$	$\frac{\text{Operating profit}}{\text{Sales}} \times \frac{100}{1}$	$\frac{\text{Operating profit}}{\text{Cost of sales}} \times \frac{100}{1}$
$\frac{\text{Net profit after tax}}{\text{Average shareholders' equity}} \times \frac{100}{1}$	$\frac{\text{Net profit before tax + interest expense}}{\text{Average capital employed}} \times \frac{100}{1}$	
Current assets : Current liabilities		(Current assets – inventories) : Current liabilities
$\frac{\text{Average debtors}}{\text{Credit sales}} \times \frac{365 \text{ or } 12}{1}$	$\frac{\text{Average creditors}}{\text{Credit purchases}} \times \frac{365 \text{ or } 12}{1}$	$\frac{\text{Cost of sales}}{\text{Average inventories}}$
$\frac{\text{Average inventories}}{\text{Cost of sales}} \times \frac{365 \text{ or } 12}{1}$	$\frac{\text{Closing inventories}}{\text{Cost of sales}} \times \frac{365 \text{ or } 12}{1}$	Current assets – Current liabilities
Non-current liabilities : Shareholders' equity		Total assets : Total liabilities
$\frac{\text{Profit after tax}}{\text{No. shares in issue}}$	$\frac{\text{Ordinary share dividends}}{\text{No. shares in issue}}$	
$\frac{\text{Fixed cost}}{(\text{Selling price per unit} - \text{variable cost per unit})}$		$\frac{\text{Total ordinary shareholders' equity}}{\text{No. shares in issue}}$

QUESTION 1 MANUFACTURING

The information that follows refers to Rubicon Manufacturers

Rubicon Manufacturers produce breathable synthetic running socks, specifically manufactured for endurance runners. They supply various sports shops around the country.

A. Balances

The following balances were found in the General ledger:

	31 December 2014	1 January 2014
Raw materials stock	?	R216 000
Work in progress stock	R116 310	R72 000
Consumable stores on hand	R4 260	R3 300

B. Transactions during the year

Raw Materials

- Raw materials purchased during the year amounted to R2 304 000 (VAT excluded).
- Defective raw materials returned to suppliers – R120 000 (VAT excluded).

Salaries

- Salaries and wages paid amounted to R780 000. Of this, R261 000 was paid to the factory foreman and R210 000 to administration and sales staff.
- The business made the following **contributions** to the various funds:
Pension and UIF for the factory foreman – R22 500.
Pension and UIF for production staff – R30 900.

Other costs

- The VAT portion of consumable stores purchased amounted to R4 116. All the consumable stores are used in the factory.
- Factory insurance – R58 500.
- Factory rent – R330 000.
- Depreciation on factory equipment – R180 000.
- Depreciation on delivery vehicle – R58 800.

C. Adjustments as at 31 December 2014

- An invoice for raw materials purchased – R264 708 (VAT incl.) was received but had not yet been recorded.
- Included in the factory insurance is a policy which commenced on 1 September 2014. The R21 600 annual premium on this policy was paid on this date.
- The factory rent for December 2014 has not yet been paid. The rent was increased by R3 500 per month on 1 December 2014.

QUESTION 2 COMPANY FINANCIALS

The following information was taken from the General ledger of Consolidated LTD on the 31 January 2015, their financial year-end:

Tangible Assets

1. An additional vehicle was purchased during the year ended 31 January 2015, and no vehicles were sold.
2. Depreciation on vehicles for the year end 31 January 2015 was R69 000.
3. New equipment was purchased on 1 August 2014.
4. An outdated piece of equipment was sold on 1 October 2014 for R9 000. The accumulated depreciation on this equipment on 1 February 2014 amounted to R16 500. Depreciation is calculated at 10% p.a. on the diminishing balance method.
5. Depreciation for the year ended 31 January 2015 **on the remaining old equipment** amounted to R13 950. Depreciation on the new equipment purchased amounted to R5 250.

Ordinary Share Equity

1. All shares were sold at a price of R10 per share.
2. Net income before tax for the year ended 31 January 2015 was R480 000.
3. Income tax for the year ended 31 January 2015 was R216 000.
4. The dividends on ordinary shares paid and declared for the year ended 31 January 2015 amounted to R180 000.

Other information

1. The acid test ratio for 2015 is 2 : 1.
2. The current ratio for 2015 is 2,2 : 1.
3. The solvency ratio on 31 January 2014 was 2,5 : 1.
4. The SARS – income tax account reflected a credit balance of R12 000 on 31 January 2015.

QUESTION 3 CASH FLOW AND RATIO ANALYSIS

The information that follows refers to Kadina Limited

1. Extracts from the Statement of Comprehensive Income (Income Statement)

	28 February 2015
Depreciation	R90 000
Interest on loan (15% p.a. not capitalised)	R242 208
Net profit before tax	R974 000
Income tax	?
Net profit after tax	R792 000

2. Extracts from the Statement of Financial Position (Balance Sheet)

	28 February 2015	28 February 2014
Trading stock	R82 000	R74 000
Debtors' control	R121 400	R105 000
Accrued income/Income receivable (rent)	R9 000	R12 000
Cash and cash equivalents	?	R122 720
Ordinary shareholders' equity	R6 211 800	R5 160 000
Share capital	R5 610 000	R4 710 000
Retained income	R601 800	R450 000
Mortgage loan	R807 360	R906 440
Creditors' control	R130 000	R156 600
SARS – VAT (credit)	R12 600	R10 000
SARS – Income tax (credit)	R6 000	R14 000
Shareholders for dividends	R330 000	R301 800
Accrued expenses – Interest on loan	R10 092	R11 332

3. The interim dividend **paid** during the year amounted to R310 200.
4. New shares were issued on 1 March 2014. No shares were repurchased.
5. Financial indicators and additional information

	28 February 2015	28 February 2014
Authorised share capital	740 000 shares	740 000 shares
Number of shares in issue	660 000 shares	600 000 shares
Share issue price	?	R12
JSE listed price per share	R22	R22, 20
Dividends per share	?	88 cents
Earnings per share	120 cents	113 cents
Return on shareholders' equity	?	11%
Return on total capital employed (ROTCE)	18,6%	14,3%
Net asset value	941,2 cents	860 cents
Debt to equity	0,13 : 1	0,18 : 1

QUESTION 4 ASSET MANAGEMENT/INVENTORY

The following information relates to Spectrum Plastics for the six months ending 31 August 2015

The business sells a standard 10 ℓ plastic container. The containers are multi-purpose containers and can be stacked one on top of the other for easy storage. The business is owned by Bruce Spectrum. The Weighted average method is used to value inventory, and the Periodic system to record it. The business intends to mark-up their stock by 100% on cost.

1. The following stock balances were taken from the General ledger:

	Units	Cost per unit	Total
Opening stock (1 March 2015)	8 000	R12,20	R97 600
Final stock (31 August 2015)	7 200	?	?

2. Purchases and returns made during the six month period:

	Units	Cost per unit	Total
April purchases	40 000	R12,80	R512 000
May purchases	54 000	R13,80	R745 200
May returns	(6 000)	R13,80	(R82 800)
July purchases	90 000	R14,80	R1 332 000
Total	178 000		R2 506 400

3. Sales for the six month period:

	Units	Selling price per unit	Total
March	7 200	R24,40	R175 680
April	800	R24,40	R19 520
	27 200	R25,60	R696 320
May	12 800	R25,60	R327 680
	31 200	R25,60	R861 120
June	16 000	R27,60	R441 600
July	47 200	R29,60	R1 397 120
August	34 000	R29,60	R1 006 400
Total	176 400		R4 925 440