



NATIONAL SENIOR CERTIFICATE EXAMINATION  
SUPPLEMENTARY EXAMINATION – MARCH 2018

**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, 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 Systems (12 minutes)	25			
Question 2: Cash Flow Statements (36 minutes)	60			
Question 3: Company Financial Statements (40 minutes)	60			
Question 4: Manufacturing and VAT (32 minutes)	55			
<b>TOTAL</b>	<b>200</b>			Checker

**QUESTION 1 INVENTORY SYSTEMS****(25 marks; 12 minutes)**

Refer to the Information Booklet for information relating to Water-Quip Suppliers.

- 1.1 Calculate the number and cost of **water polo balls** donated on **10 November 2016**.

Number donated:
Cost of balls donated:

(5)

(2)

- 1.2 Analyse the effect that the donation of water polo balls would have had on the Accounting Equation. Show the effect with a + or a –.

Example: Paid a creditor, R11 000

	Account debit	Account credit	Asset	Owners' Equity	Liabilities
E.g.	Creditors' Control	Bank	– R11 000		– R11 000
1.2					

(4)

- 1.3 Calculate the value of the closing stock of **water polo balls** on 31 October 2017:

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(7)

- 1.4 Calculate the gross profit made on **water polo caps** for the year ended 31 October 2017 by completing the Trading Account below (folios are not required):

### General Ledger of Water-Quip Suppliers

#### Final Accounts Section

#### TRADING ACCOUNT

2017 Oct 31			2017 Oct 31	Sales	256 000

Calculation of closing stock using weighted averages:

(7)

25

**QUESTION 2      CASH FLOW AND RATIO ANALYSIS      (60 marks; 36 minutes)**

Refer to the Information Booklet for information relating to Saldanah Limited as well as amounts already inserted in the Cash Flow Statement.

- 2.1 Calculate the trade-in price of the packing machine. **Show all workings.**

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(7)

- 2.2 Complete the note to the cash flow statement for the reconciliation of profit before taxation and cash generated from operations on 30 June 2017.

**Show amounts that you added and subtracted to get the total amounts in the workings below.**

Net profit before taxation	
Adjustments in respect of:	
<b>Add:</b> Depreciation	
<b>Add:</b> Interest expense	
<b>Add:</b> Loss on sale of asset	16 650
Operating profit before changes in working capital	1 400 000
Changes in working capital	
Cash generated from operations	1 140 000

(13)

**Workings**

Depreciation	
Interest expense	

- 2.3 Complete the Cash Flow Statement for the year ended 30 June 2017. Show all working detail in brackets.

<b>Cash generated/utilised from operating activities</b>	<b>DO NOT CALCULATE</b>
Cash generated from operations	1 140 000
Interest paid (	
Dividends paid (	
Taxation paid (	
<b>Cash flows from investing activities</b>	<b>DO NOT CALCULATE</b>
Purchase of non-current assets (	
Proceeds of the sale of non-current assets	
<b>Cash flows from financing activities</b>	<b>DO NOT CALCULATE</b>
Proceeds from the sale of new shares	480 000
Repurchase of shares (	
Repayment of loan	(200 000)
Proceeds of loan	350 000
Net change in cash and cash equivalents	
Cash and cash equivalents at the beginning of the year	800 000

(23)

- 2.4 Evaluate whether or not Mrs Allan's concern regarding the lack of returns is justified by referring specifically to the earnings per share (EPS), dividends per share (DPS) and their dividend policy. Quote figures in support of your comments.

EPS comment:	
DPS comment:	
Comment on/evaluation of returns:	

(2)

(2)

(2)

- 2.5 Explain by providing 2 reasons why you think Mrs Allan was offered a fair price for her shares. Quote figures to support your reasoning.

Reason 1:
Reason 2:

(2)

- 2.6 A group of remaining shareholders have argued that the repurchase of shares from Mrs Allan has not been in their best interests. Do you agree with their argument? Use the Net Asset Value calculation, and any other relevant factors, to prove or disprove their argument. **If the repurchase had not taken place, the NAV on 30 June 2017 would have been 449 cents.**

NAV calculation:
Agree/Disagree and provide 2 reasons for your answer:
Reason 1:
Reason 2:

(5)

(2)

(2)

60

**QUESTION 3      COMPANY FINANCIALS****(60 marks; 40 minutes)**

Refer to the information in your Information Booklet and the information entered into your Answer Booklet relating to Harmony Lighting LTD.

- 3.1 Calculate the operating profit for the year ended 31 October 2017 after taking into consideration adjustments number 1 to 5:

The provisional operating profit of R1 391 798 provided is correct. This is your starting point.

<b>Operating profit before adjustment entries</b>	<b>R1 391 798</b>
Adjustment no. 1	
Adjustment no. 2	
Adjustment no. 3	
Adjustment no. 4	
Adjustment no. 5	
<b>Operating profit for the year</b>	

**(15)**

- 3.2 Complete the retained income note as it would have appeared in the financial statements as at 31 October 2017:

Calculation of <b>net income after taxation</b>

**(8)**

**Harmony Lighting LTD**  
**Notes to the financial statements as at 31 October 2017**

Retained income on 1 November 2016	<b>1 738 000</b>
Net income after taxation	
Dividends	
Paid	
Declared	
Retained income on 31 October 2017	

**(5)**

- 3.3 Complete the Statement of Financial Position (Balance Sheet) as at 31 October 2017. Show all working detail in brackets. **Harmony Lighting LTD list their current liabilities separately in the Balance Sheet.**

**Harmony Lighting LTD**  
**Statement of Financial Position (Balance Sheet) as at 31 October**

	2017	2016
	R	R
<b>Tangible assets</b>	9 410 000	8 632 000
<b>Financial assets</b>	<b>320 000</b>	<b>435 000</b>
Fixed deposit: Nedcor Investments	320 000	435 000
<b>Current assets</b>	<b>?</b>	<b>615 000</b>
Inventories	<b>?</b>	505 300
Trade and other receivables (233 023	<b>?</b>	96 700
Cash and cash equivalents (11 700	<b>?</b>	13 000
<b>TOTAL ASSETS</b>	<b>11 300 000</b>	<b>9 682 000</b>
<b>EQUITY AND LIABILITIES</b>		
<b>Shareholders' equity</b>	<b>NO TOTAL REQUIRED</b>	<b>8 638 000</b>
Share capital (	<b>?</b>	6 900 000
Retained income	<b>?</b>	1 738 000
<b>Non-current liabilities</b>	<b>NO TOTAL REQUIRED</b>	<b>215 000</b>
Loan: BASSA Bank (215 000	<b>?</b>	215 000
<b>Current liabilities</b>	<b>?</b>	<b>829 000</b>
Trade creditors	<b>?</b>	490 800
Expenses accrued (	<b>?</b>	0
Shareholders for dividends	126 000	157 500
Bank overdraft (80 000	0	90 700
Current portion of loan	<b>?</b>	90 000
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>11 300 000</b>	<b>9 682 000</b>

(32)

**QUESTION 4      MANUFACTURING AND VAT****(55 marks; 32 minutes)**

**This question consists of two parts. Each part must be treated separately from the other.**

**PART A      MANUFACTURING****(30 marks; 19 minutes)**

**Refer to the information relating to Beached Manufacturers.**

4.1 Calculate the direct labour cost per unit as at 30 September 2017:

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**(3)**

4.2 Calculate the **fixed costs** for the year ending 30 September 2017:

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**(7)**

4.3 How much would it cost Beached Manufacturers to **produce** one towel?

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**(7)**

4.4 Complete the Income Statement for the year ending 30 September 2017:

**Beached Manufacturers  
Income Statement for the year ending 30 September 2017**

Sales	21 000 000
Cost of sales	
Gross profit for the year	
Other costs	
Administration costs	
Net profit for the year	

**(7)**

- 4.5 The wholesaler that buys the beach towels from Beached Manufacturers is concerned that their business is small and might not be sustainable into the future. They have also been approached by a large Chinese company to supply them with beach towels for R90 a towel. Give 3 reasons that Beached Manufacturers can give to persuade them to continue buying the towels from Beached Manufacturers.

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•

(6)

**PART B****VAT****(25 marks; 13 minutes)****Refer to the information relating to Saligna Limited**

- 4.6 Calculate the cost of sales figure in the Debtors' Journal for September 2017. (Show all your working detail.)

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(4)

- 4.7 Calculate the cash purchases of trading stock for September 2017. (Show all your working detail.)

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(7)

- 4.8 Calculate the balance on the VAT control account on 30 September 2017 and circle whether it is a debit or credit balance. (Show all your working detail.)

DEBIT	CREDIT

(14)

55

**Total: 200 marks**