



NATIONAL SENIOR CERTIFICATE EXAMINATION  
NOVEMBER 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 9 pages (i–ix) 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 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 (19 minutes)	32			
Question 2: Company Financial Statements (42 minutes)	70			
Question 3: Cash Flow Statements (30 minutes)	50			
Question 4: Manufacturing (29 minutes)	48			
<b>TOTAL</b>	<b>200</b>			Checker

**QUESTION 1 INVENTORY SYSTEMS**

**(32 marks, 19 minutes)**

**Refer to the information relating to Weighcomm Scales.**

1.1 Calculate the value of the closing stock using the FIFO method on 31 July 2016.

(5)

1.2 Calculate the cost of sales for the year ended 31 July.

(4)

1.3 Calculate the gross profit made by Weighcomm Scales for the year ended 31 July 2016.

(6)

1.4 When doing an internal audit the auditor suspected that stock had been stolen, as all scales sold by Weighcomm Scales during the year ending 31 July 2016 had been sold at R3 800 (excluding VAT) each. Calculate whether or not stock has been stolen.

(4)

1.5 Mark Epstein, the owner, is very concerned that sales have slowed down tremendously this year and that stock appears to be sitting in the warehouse for longer periods of time. The 2015 rate of stock turnover was 5,6 times.

1.5.1 Calculate the rate of stock turnover for the year for 2016.

(4)

1.5.2 Comment on the rate of stock turnover calculated in Question 1.5.1 above explaining why it may pose a problem for the business.

(2)

1.6 Calculate the Output VAT that the business would have been required to account for during the year.

(3)

1.7 Analyse the transaction reflected in the credit note on 31 July 2016 in the table below. Under the accounting equation use +/- **and amount**.

Account debit	Account credit	Assets	Owners' Equity	Liabilities

(4)

**QUESTION 2      COMPANY FINANCIAL STATEMENTS      (70 marks; 42 minutes)**

**Refer to the information relating to Impumelelo Limited.**

2.1 Complete the Statement of Comprehensive Income (Income Statement) for the year ending 31 October 2016.

**Impumelelo Limited  
Statement of Comprehensive Income (Income Statement)  
for the year ending 31 October 2016**

Sales (2 435 000)	
Cost of Sales (1 521 875)	
Gross Profit	<b>Do not fill in this amount</b>
Add: Other income	
Rent income (144 313)	
Gross income for the year	<b>Do not fill in this amount</b>
Less: Operating expenses	<b>Do not fill in this amount</b>
Audit fees (25 000)	
Directors fees (159 600)	
Sundry expenses	116 649
Salaries (240 000)	
Bad debts	11 594
Loss on sale of asset (6 000)	
Operating profit for the year	<b>Do not fill in this amount</b>
Interest income (9 050)	
Operating profit before interest expense	<b>Do not fill in this amount</b>
Interest expense	
Net income before taxation	<b>Do not fill in this amount</b>
Taxation for the year (289 000)	
Net income after taxation	<b>Do not fill in this amount</b>

(33)

2.2 Complete the notes to the financial statements as at 31 October 2016.  
**NB: Impumelelo Limited show all their current liabilities under Trade and other payables and not separately in the Balance Sheet.**

2.2.1 Trade and other receivables

Net trade debtors	
Debtors Control (161 969	
Less: Provision for bad debts (7 930	
	<b>Do not fill in this amount</b>

(5)

2.2.2 Ordinary share capital

	Ordinary shares at	per share	<b>2 587 500</b>
	Ordinary shares at	per share	
	Ordinary shares at	per share	
	Ordinary shares at	per share	

(12)

2.2.3 Trade and other payables

Creditors control (229 120	
Creditors for salaries (25 100	
SARS: PAYE (12 050	
Unemployment insurance fund (979	
Bank Overdraft (32 740	
	<b>Do not fill in this amount</b>

(20)

**QUESTION 3 CASH FLOW STATEMENTS**

**(50 marks, 30 minutes)**

**Refer to the information relating to Claxton LTD.**

3.1 Calculate the **dividends paid** as they would have appeared in the cash flow statement on 31 July 2016.

Dividends paid	

(4)

3.2 Calculate the opening balance of the SARS income tax account on 1 August 2015. State whether this amount would reflect a tax asset or tax liability.

(5)

3.3 Calculate the book value of the obsolete equipment.

(6)

3.4 How much did Claxton LTD pay for the new equipment?

(5)

3.5 Complete the cash flow from **financing activities** as it would have appeared in the cash flow statement on 31 July 2016.

<b>Cash flow from FINANCING ACTIVITIES</b>	<b>145 250</b>
Repurchase of shares	?
Proceeds of new shares	?
Proceeds of new loans	?
Repayment of existing loans	?

(9)

3.6 Complete the cash and cash equivalent note as it would have appeared in the cash flow statement on 31 July 2016.

	<b>Net change</b>	<b>31 July 2016</b>	<b>31 July 2015</b>
Bank	?	12 500	?
Petty Cash	500	2 000	1 500
	?	?	?

(5)

3.7 Calculate the balance on the retained income account on 31 July 2016.

R1 035 000
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(6)

3.8 Claxton LTD is very interested in buying a small but profitable business in Australia for R3 million. The directors are concerned about the economic situation in South Africa, in particular the increasing cost of finance and instability of the exchange rate. The bank has approved the finance for the purchase at an interest rate of 13,25% p.a.

3.8.1 Calculate the Return on Total Capital Employed (ROTCE) on 31 July 2016. Use average capital employed in your calculation.

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(5)

3.8.2 If Claxton LTD decided to go ahead and take the R3 million finance, its debt to equity ratio will increase from 0,21 : 1 (present value) to 0,9 : 1. With reference to risk and gearing and any other concerns you think are important, advise whether or not Claxton LTD should proceed with the purchase of the business.


(5)

<b>50</b>



**QUESTION 4      MANUFACTURING**

**(48 marks, 29 minutes)**

**This question consists of 2 parts.**

**PART A**

**(38 marks)**

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

4.1 Calculate the direct materials issued into the production process.

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(7)

4.2 Calculate the cost of production of finished goods.

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(4)

4.3 Complete the factory overheads note below in the production cost statement for the year ending 30 September 2016.

**Thorndon Manufacturers**  
**Notes to the production cost statement for the year ending 30 September 2016**

**Note 3: Factory overheads cost**

Rent (	
Insurance (	

(18)

**Note 5: Selling and distribution costs**

Rent	171 000
Insurance	59 520
Telephone	12 500
Indirect labour	?
Indirect material	?
?	?
	?

(6)

4.4 With the downturn in the South African economy Thorndon Manufacturers are concerned that they will struggle to make profits in 2017 and so are considering stopping their selling of alarms online as this is not their core/main business. Briefly explain one advantage and one disadvantage that this decision will have on their profitability in 2017 and explain what decision you think they should make.

<p>Advantage:</p>  <p>Disadvantage:</p>  <p>Decision:</p>
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(3)

**PART B**

**(10 marks)**

**Refer to the information relating to Bags of Fun.**

4.5 Calculate the break-even point for Bags of Fun on 31 October 2016.

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(6)

4.6 Explain whether you think Maria would or would not be concerned about the profitability and sustainability of her business. Provide two reasons and justify your answer by providing supporting figures.


(4)

<b>48</b>

**Total: 200 marks**