



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 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. It is essential that all working details be shown **in order to earn part marks**.
8. 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 and VAT (22 minutes)	37			
Question 2: Financial Statement (35 minutes)	60			
Question 3: Cash Flow Statement (24 minutes)	38			
Question 4: Budget (39 minutes)	65			
TOTAL	200			Checker

QUESTION 1 MANUFACTURING AND VAT

(37 marks; 22 minutes)

Refer to the information relating to Glowcor.

- 1.1 Refer to **Information A** in order to **calculate** the amount of VAT either payable to or by SARS on 31 October 2015. Clearly state whether this amount is payable to or by SARS.

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(10)

- 1.2 Using **Information B** complete the production cost statement for the year ending 31 October 2015.

Glowcor
Production cost statement for the year ending 31 October 2015

Direct costs/Prime costs	
Factory overheads cost	
Total manufacturing costs	
Work-in-progress	
Work-in-progress	
Cost of production of finished goods	6 600 000

(10)

- 1.3 Using **Information C** complete the trading statement of Glowcor for the year ending 31 October 2015.

Glowcor
Trading statement for the year ending 31 October 2015

(3)

- 1.4 Calculate the closing balance as it would have appeared in the finished goods stock account on 31 October 2015.

Closing balance on 31 October 2015	
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(4)

- 1.5 Luca is convinced that due to the extended load shedding forecast and the high demand for his recyclable lamps he can be more profitable next financial year. Assuming that there are no changes to the costs and selling price per lamp, calculate how many more lamps need to be produced and sold in order to improve the business's gross profit by R1 440 000.

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(3)

- 1.6 The main manufacturing machine has broken down and can only be fixed in 10 days' time as a specially trained installation technician will only be available then. With reference to the stock holding period explain why this could be a problem for Glowcor.

Calculation:	
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(3)

Explanation:	
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(2)

- 1.7 Give a reason why you think Glowcor emphasises the recyclable nature of their camping lamps in their advertising strategy.

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(2)

QUESTION 2 COMPANY FINANCIAL STATEMENT (60 marks; 35 minutes)

Refer to the information relating to Akhari Limited.

2.1 Complete the following notes to the financial statements. Some figures have been filled in for you and these are correct. All working detail must be shown so part marks can be awarded.

Akhari Limited
Notes to the financial statements for the year ended 31 October 2015

Note 7: Issue share capital

1 350 000	Ordinary shares at	per share	
	Ordinary shares at	per share	
	Ordinary shares at	per share	
	Ordinary shares at	per share	

(14)

Note 8: Retained income

Opening balance	
Net Income after taxation	
Dividends on ordinary shares	
Paid	
Recommended	
Closing balance	

(18)

Note 9: Trade and other payables

Trade creditors	

(4)

2.2 Complete the **assets section** of the Statement of financial position as at 31 October 2015.

Akhari Limited
Statement of financial position (Balance sheet) as at 31 October 2015

ASSETS	2015
Non-current assets	
Fixed/Tangible assets	5 500 500
Financial assets:	
Fixed deposit: Nedrand Bank (202 500)	
Fixed deposit: ABBA Bank (90 000)	
Current assets	
Inventory	
Trade and other receivables (450 000)	
Cash and cash equivalents (335 000)	
TOTAL ASSETS	

(21)

2.3 Explain why you think Akhari Limited's decision, which resulted in adjustment 9, was a good business decision.

(1)

2.4 Akhari Limited sold 20% of their debtors to IRBS Financial Services (adjustment 11). Explain **2 reasons** why they might have decided to do this.

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(2)

QUESTION 3 CASH FLOW STATEMENT**(38 marks; 24 minutes)****Refer to the information relating to Ingwenya Limited.**

3.1 Complete the Tangible asset note.

Note 3: Tangible/Fixed assets

	Plant and Property	Vehicles	Equipment
Carrying/Book value at the beginning of the year	3 452 000	448 000	83 200
Cost	3 452 000	850 000	340 000
Accumulated depreciation	–	(402 000)	(256 800)
Movements			
Additions at cost	?		?
Disposals at carrying/book value		?	
Depreciation		?	(6 600)
Carrying/Book value at the end of the year	4 522 800	184 600	?
Cost	4 522 800	?	?
Accumulated depreciation		?	(263 400)

(9)

- 3.2 Complete the cash flow statement of Ingwenya Limited for the year ending 31 October 2015. **Some information has been entered for you.**

Ingwenya Limited
Cash flow statement for the year ending 31 October 2015

	R
Cash flow from operating activities	
Cash generated from operations	1 295 760
Cash flow from investing activities	
Tangible assets purchased	
Proceeds from the sale of tangible assets	
Cash flow from financing activities	
Repurchase of shares	
Proceeds of new loans	
Repayment of loans	
Net change in cash and cash equivalents for the year	
Cash and cash equivalents – 1 November 2014	(91 000)
Cash and cash equivalents – 31 October 2015	

(25)

- 3.3 The following statement was taken from the minutes of the Annual General Meeting; 'We, the shareholders, would like to express our grave concern over the directors' decision to repurchase 80 000 shares during this financial year'. Provide a reason supported by information from the cash flow statement as to why the shareholders feel this way.

(2)

- 3.4 After an investigation it has come to light that Jason Steiner, the shareholder from whom the company repurchased the shares, is a close friend of the financial director, and they play squash together on a regular basis. Explain briefly why you as a shareholder may find this a problem.

(2)

QUESTION 4 CASH BUDGET AND FORECAST INCOME STATEMENT
(65 marks; 39 minutes)

Refer to the information relating to Frozo Yogi's.

4.1 Complete the **creditor's payment schedule** for the budgeted period September and October 2015. Some of the information has been entered for you and it is correct.

Credit purchases	September 2015	October 2015
	R	R
July R58 350	?	
August R	R25 080	?
September R67 500		?

(4)

4.2 Complete the **Cash budget** for the two months ending 31 October 2015.

	Budgeted September	Budgeted October	Actual September
	R	R	R
CASH RECEIPTS	?	391 570	353 575
Cash sales	?	87 750	81 000
Cash receipts from debtors	262 575	297 000	262 575
Rent income		?	?
Insurance payout			?
CASH PAYMENTS	?	?	?
Cash purchases of trading stock	157 500	?	?
Payment to creditors	?	?	65 250
Wages	24 000	25 200	24 000
Bonuses	15 000	15 750	4 000
Drawing by owner	15 000	16 125	15 000
Sundry expenses including electricity	25 000	27 200	28 000
Fuel costs for running the generator	–	1 200	3 600
Loan repayments plus interest	?	?	1 900
	?	?	?
	?	?	1 000
Cash surplus/deficit	?	?	
Opening bank balance	35 000	?	
Closing bank balance	?	161 970	

(22)

4.3 Complete the **Forecast income statement** of Frozo Yogi's for the two months ending 31 October 2015.

	Forecast September	Forecast October	Actual September
	R	R	R
Sales	405 000	351 000	324 000
Cost of sales	(225 000)	(195 000)	(180 000)
Gross profit	180 000	156 000	144 000
Add other income	?	8 170	7 520
Rent income	?	?	6 200
Discount received	?	?	1 320
Other operating expenses	?	(89 440)	(90 800)
Wages	24 000	25 200	24 000
Bonuses	15 000	15 750	4 000
Sundry expenses including electricity	25 000	27 200	28 000
Fuel costs for running the generator	1 000	1 200	3 600
Bad debts	–	?	–
Loss due to load shedding	5 000	–	?
	?	?	?
	?	?	?
	?	?	?
Operating profit	?	74 730	60 720
Less: Interest expense	?	?	(1 900)
Net profit	?	?	58 820

(20)

4.4 Answer the following questions.

4.4.1 What are the credit terms given to debtors? (In how many days are they expected to settle their accounts?)

(2)

4.4.2 What percentage increase is expected to be given to employees in the financial year starting 1 October 2015?

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(3)

4.4.3 Do you think the increase (calculated in Question 4.4.2) is acceptable? Explain by quoting relevant ratios or amounts.

(4)

4.4.4 The employees are unhappy with the remuneration they earned in September 2015 and have asked for their wage and bonus agreement to be changed.

In what way were the employees affected by the power outages, and why were they affected?

(3)

4.4.5 What **two** changes do you think Joan could make to the employees' wages that they would find acceptable?

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(4)

4.4.6 Briefly explain **three other areas** in which the business, Frozo Yogi's, has been affected by the electricity shortage in South Africa. (Only write one sentence per area.)

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(3)

65

Total: 200 marks