



NATIONAL SENIOR CERTIFICATE EXAMINATION  
NOVEMBER 2022

**ACCOUNTING: PAPER I**

Time: 2 hours

200 marks

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**INFORMATION BOOKLET**

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**QUESTION 1      ASSET MANAGEMENT & VAT      (52 marks, 30 minutes)****QUESTION 1A      INVENTORY SYSTEMS      (25 marks, 14 minutes)****Information relating to Kench Wrench**

Shannon Kench owns Kench Wrench. They are a small retail business that imports and sells sets of spanners for the commercial and industrial market. The latest financial year ends on 31 August 2022.

- They use the periodic inventory system for all stock.
- They value their stock using the weighted average method.

Kench Wrench is granted 30 days by suppliers to return stock that they are not satisfied with.

The spanners are purchased and sold as a set. They do not deal in individual components.

1. Below are their stock records for the year.

|                                  | <b>Number of sets</b> | <b>Cost per set</b> | <b>Total cost</b> |
|----------------------------------|-----------------------|---------------------|-------------------|
| Opening stock (1 September 2021) | 800                   | R1 500              | R1 200 000        |
| Purchases during the year        | 2 100                 |                     | R3 130 000        |
| November 2021                    | 1 000                 | R1 100              | R1 100 000        |
| February 2022                    | 600                   | R1 800              | R1 080 000        |
| June 2022                        | 500                   | R1 900              | R950 000          |

2. The following information was extracted from the stock records:

- The total carriage on purchases for the year amounted to R17 700. Orders over R1 million were delivered for free.
- Carriage is not refundable on any returns to the suppliers.
- 40 sets were returned in March 2022 as they were all missing the socket components.
- They sold 1 645 units during the year.

**QUESTION 1B VAT****(9 marks, 6 minutes)****VAT is calculated at 15%****Year-End 2022**

The following transactions were extracted from the accounting records of Kench Wrench for the year ended 31 August 2022.

e.g. The business owes SARS R28 110 for VAT.

1. Sold goods to the value of R4 700 (exclusive) for cash.
2. Settled an account with a supplier by paying R327 750 after a 5% discount was received.
3. A debtor returned goods that originally cost R1 250 (exclusive). They were marked up by 60% on cost, and the debtor was given a 7% trade discount.

**QUESTION 1C FIXED ASSETS****(18 marks, 10 minutes)**

1. Extracted balances:

|                                       | 31 August 2022 | 1 September 2021 |
|---------------------------------------|----------------|------------------|
| Equipment                             | R600 000       | R420 000         |
| Accumulated Depreciation on Equipment | ?              | R185 000         |

2. The following transactions relate to the equipment for the year ended 31 August 2022:
  - (a) Purchased new equipment on 1 February 2022.
  - (b) On 30 April 2022 sold old equipment for R45 000 cash. (Cost price was R80 000.) The **book value** on 1 September 2021 was R30 900.
  - (c) Equipment is depreciated at 12% p.a. using the diminishing balance method.

**QUESTION 2      COMPANY FINANCIAL STATEMENTS      (63 marks, 39 minutes)****Information relating to Ruby Robotics Limited**

Ruby Robotics Limited is a South African listed company with an authorised share capital of 2 500 000 ordinary shares. They import and manufacture robotic parts and components for use in the commercial and educational fields. They also earn a commission when selling "how-to" manuals from Masingita Manuals.

They operate at an intended **gross profit on sales** of 60% at all times. Their latest financial year-end is 28 February 2022.

On 1 March 2021 they had 70% of their authorised shares in issue which raised R6 300 000 capital. On 1 August 2021 an additional 500 000 shares were sold at 400c each, this has been recorded. No shares were repurchased during the year.

1. Extracted balances/totals from the Pre-adjustment Trial Balance for the year ended 28 February 2022.

| <b>Balance Sheet Section</b>             |               |
|--|---------------|
| Retained income                          | R1 350 000    |
| Fixed deposit: TH Bank (4% p.a.)         | R450 000      |
| Trading stock                            | R2 467 000    |
| Debtors' control                         | R6 150 000    |
| Provision for bad debts                  | R176 000      |
| Bank overdraft                           | R75 000       |
| Cash float                               | R10 000       |
| SARS: Income tax                         | R990 000 (dr) |
| Accrued Commission income (1 March 2021) | R8 200        |
| <b>Nominal Accounts Section</b>          |               |
| Sales                                    | R14 500 700   |
| Debtors' allowances                      | R270 200      |
| Commission income                        | R49 500       |
| Packing material                         | R27 000       |
| Ordinary share dividends                 | R315 000      |

**Additional information and adjustments that still need to be taken into account:**

1. The water & electricity account of R2 800 for March 2022 has been paid.
2. The bookkeeper forgot to reverse the accrued commission income at the beginning of the year. Ruby Robotics Limited changed the arrangement and now commission is paid upfront. Commission income received for the manuals that will be sold from March to April 2022 amounted to R9 500.
3. A robbery took place and R6 000 was stolen from the cash registers as well as R20 000 worth of stock. The insurance company had advised that the cash is not insured, but the stock is insured under the following clause: "stock loss up to the value of R50 000 less an excess of 15% of the claimed amount". They will pay the claim in March 2022.
4. The front security door was damaged during the robbery. Ruby Robotics Ltd paid R4 000 to have the door repaired (the payment was incorrectly recorded as a repairs expense). The landlord acknowledged that it was his responsibility and said that they may deduct it from the February rent that is still owing. Rent has remained unchanged during the year.
5. R50 000 of the fixed deposit will mature on 30 June 2022.
6. Returned R24 000 worth of stock to a creditor as it was not compatible. They agreed to credit our account less a handling and repackaging fee of R1 200 as per their returns policy.
7. A debtor who owed R16 000 was declared insolvent. Their estate paid out R10 400. The remainder must be written off. No entries have been made for either transaction.
8. Provision for bad debts must be adjusted to 3% of trade debtors.
9. Trading stock to the value of R43 000 was used for demonstration purposes during the year. This must now be revalued at R21 000 so that it can be sold at a profit next year.
10. The annual physical stock count revealed the following was on hand:
  - Trading stock R2 364 000
  - Packing material **used** during the year amounted to R24 800.
11. An additional provisional tax payment of R400 000 was made on 28 February 2022 (this was not recorded). After this, income tax still owing to SARS at the end of the year was R65 000.
12. A final dividend of 16c per share was declared on all shares in issue on 28 February 2022.

**QUESTION 3 CASH FLOW STATEMENTS****(45 marks, 27 minutes)****Information relating to Jessica Jewels Ltd**

Jessica Jewels Ltd is a South African listed company with an authorised share capital of 5 000 000 shares. They source and sell both precious and semi-precious stone jewellery to the retail markets. As they rent their existing premises, their fixed assets are primarily made up of a delivery vehicle and insurance approved safes.

1. Extract from the Statement of Financial Position (Balance Sheet) as at:

|                                   | <b>28 February 2022</b>       | <b>28 February 2021</b>           |
|-----------------------------------|-------------------------------|-----------------------------------|
| Ordinary share capital            | R?<br>(4 650 000 shares)      | R30 000 000<br>(4 000 000 shares) |
| Retained income                   | R3 402 500                    | R1 650 000                        |
| Fixed assets (at carrying value)  | R1 467 500                    | R1 550 000                        |
| Investments (Shares in Tammy Ltd) | R520 000<br>(100 000 shares)  | R300 000<br>(60 000 shares)       |
| Loan: Bali Bank (9% p.a.)         | R12 500 000                   | R12 000 000                       |
| Debtors control                   | R8 520 000                    | R7 320 000                        |
| Creditors control                 | R12 900 000                   | R14 600 000                       |
| SARS (Income Tax)                 | R290 000 (cr)                 | R350 000 (cr)                     |
| SARS (PAYE & UIF)                 | R90 000                       | R70 000                           |
| Income Received in Advance        | R450 000                      | R300 000                          |
| Shareholders for dividends        | R2 325 000<br>(50c per share) | R1 800 000<br>(45c per share)     |

2. Additional information:

**2.1 Profit**

- The Statement of Comprehensive Income (Income Statement) for the year ended 28 February 2022 revealed that the net profit **after** taxation was R5 915 000. The company tax rate is 30%.

**2.2 Fixed Assets**

- During the year the company sold old equipment at its book value of R150 000.
- A new delivery vehicle was purchased during the year for R300 000.

### 2.3 **Loans & Interest**

- Interest on the loan is capitalised.
- An additional loan of R2 000 000 was taken out in the second half of the year.
- The total repayments for the loan as well as the interest amounted to R2 625 000 for the year.

2.4 The movement of **stock** resulted in a generation of cash of R8 000 000.

### 2.5 **Investments**

- Bought another 40 000 shares in a new start-up company, Tammy Ltd. Tammy Ltd did not declare or pay any dividends during the year.

### 2.6 **Shares**

- In September 2021 the company sold another 800 000 shares for a total of R6 720 000.
- In January 2022 the company bought back 150 000 shares at R8,70 each from the estate of a deceased shareholder.

### 2.7 **Dividends**

- All outstanding dividends from the previous year were paid before the interim dividend was declared and paid during the year.

**QUESTION 4      MANUFACTURING****(40 marks, 24 minutes)****Information relating to Kudawashe Cheese**

Kudawashe Cheese is a manufacturing company that produces various flavours of cheese and sells these to the retail and restaurant sector from their own shop.

The factory occupies 600m<sup>2</sup> and the administration offices and shop takes up 200m<sup>2</sup>.

Their financial year ends on 28 February each year.

1. The following balances were extracted from their financial records:

|                        | <b>2022</b> | <b>2021</b> |
|------------------------|-------------|-------------|
| Direct (raw) materials | R151 000    | R143 000    |
| Work-in-progress       | R5 000      | R4 000      |
| Finished goods         | R124 200    | R96 216     |
| Indirect materials     | R19 000     | R27 000     |

2. **Direct and indirect materials**

- (a) Credit purchases of raw materials amounted to R146 250 and cash purchases amounted to R78 750.
- (b) R16 000 worth of milk (a raw material) was returned to a supplier as it was past its expiry date.
- (c) The delivery of raw materials is outsourced to a refrigeration truck service for a set fee of R1 250 per month.
- (d) Indirect materials purchased during the year amounted to R62 000. 10% of all indirect materials are used in the administration offices and the shop.

3. **Labour**

- (a) The factory supervisor and both shop assistants each earn the same and cost the business a total of R432 000 per annum in salaries.
- (b) The factory employs four workers at R8 000 per month. They are each entitled to a medical aid contribution of R500 per month and a pension and UIF contribution of 8% of the gross earnings.



#### 4. General Expenses

- (a) The following totals were extracted from the pre-adjustment trial balance on 28 February 2022:

|                     |          |
|---------------------|----------|
| Rent Expense        | R110 390 |
| Water & Electricity | R 35 200 |
| Insurance           | R 48 950 |

- (b) Rent is paid one month in advance and was increased by 10% on 1 January 2022. The rent is allocated as per the floor space occupied by each department.
- (c) The factory uses 70% of the water and electricity.
- (d) Half the insurance cost belongs to the factory. The insurance premiums have remained unchanged for the year. The premium for February 2022 was not paid due to a bank error.
- (e) An amount of R15 960 was allocated to the **administration offices and the shop** for security. Security costs are allocated as follows:  
Factory : Administration offices : Shop in the ratio 3 : 1 : 3.

#### 5. Finished Goods

- (a) A sales assistant was caught stealing cheese while she was transporting it to the shop. It was determined that she stole 120 kg at a cost of R65/kg. This loss was deemed a selling and distribution expense.