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| | Please paste the barcoded label here | TOTAL MARKS |

INTERNATIONAL SECONDARY CERTIFICATE EXAMINATION
NOVEMBER 2022

# ACCOUNTING: PAPER I

**EXAMINATION NUMBER**

| | | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | | | | | | | | | | |

Time: 2 hours | 200 marks

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## PLEASE READ THE FOLLOWING INSTRUCTIONS CAREFULLY

1. This question paper consists of 13 pages, an Information Booklet of 10 pages (i–x) and a Formula Sheet of 1 page (i). Please check that your question paper is complete.
2. Read the questions carefully.
3. **Answer ALL the questions on the question paper and hand this in at the end of the examination. Remember to write your examination number in the space provided above.**
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: Manufacturing (26 minutes)** | **44** | | | |
| **Question 2: Cash Flow Statement (33 minutes)** | **55** | | | |
| **Question 3: Company Financial Statements (45 minutes)** | **75** | | | |
| **Question 4: Inventory (16 minutes)** | **26** | | | |
| **TOTAL** | **200** | | | |

**QUESTION 1 MANUFACTURING (44 marks, 26 minutes)**

**Refer to the information relating to Terra Printing.**

1.1 Complete the following notes to the Production Cost Statement as it would have appeared on 30 June 2022:

1.1.1 **Direct material costs.**

| | |
|---|---|
| **Opening stock** | |
| | |
| **Closing stock** | |
| **Raw materials issued to the factory** | |

Direct material (Raw material) closing stock calculation.

| |
|---|
| |

(7)

1.1.2 **Cost of finished goods sold/Finished goods.**

| | |
|---|---|
| **Opening stock of finished goods** | **83 160** |
| | |
| | |
| **Cost of sales (** | |

(4)

1.2 Refer to the information provided in the Information bullet (no.8) and calculate the correct total factory overhead costs after considering the errors and omissions. **Indicate a negative effect with the use of a bracket.**

| | |
|---|---|
| **Incorrect total** | **1 662 011** |
| | |
| | |
| | |
| | |
| **Updated/Correct total** | |

(5)

1.3 Complete the Production Cost Statement for the year ended 30 June 2022.

| | |
|---|---|
| **Direct/Prime costs** | |
| Direct material costs | |
| Direct labour costs ( | |
| | |
| **Total manufacturing costs** | |
| Work-in-progress at the beginning of the year | **38 808** |
| Work-in-progress at the end of the year (balancing figure) | |
| **Cost of production of finished goods** | |

(8)

1.4 1.4.1 Calculate the number of boxes (units) that Terra Printing needs to make and sell to break-even. Show your supporting calculation.

(5)

1.4.2 Will Tiffany be satisfied with the level of production and sales? Motivate your answer with a valid explanation.

| **Yes/No (circle your answer)** |
|---|
| |
| |
| |
| |

(3)

 

1.5 Considering the current economic climate, identify **TWO** challenges that Terra Printing will overcome.

| |
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| • |
| |
| • |
| |

(2)

1.6 Calculate the direct material cost per unit for 2022. The direct material cost per unit for the 2021 financial year was R23,30. Provide **TWO** possible reasons for the change in direct material cost.

| **Workings:** |
|---|
| **TWO possible reasons:** |
| • |
| |
| • |
| |

(3)

1.7 Tiffany is concerned about the change (variance) in the direct material cost per unit. What could Tiffany do to address the direct materials cost per unit issue? Provide her with **ONE** possible solution.

| |
|---|
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| |

(2)

1.8 Selling and distribution costs have decreased from R375 045, in 2021 to R250 041, in 2022. Provide **TWO** possible reasons for the decline in cost.

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- 

(2)

1.9 Tiffany would like to improve the profitability of Terra Printing. She is considering decreasing the standard ream of paper from 500 sheets per ream to 400 sheets. The packaging will still display 500 sheets per ream. Tiffany does not intend to decrease the selling price per box. Explain to Tiffany why this strategy **should not** be implemented.

(3)

| |
|---|
| **44** |

## QUESTION 2 CASH FLOW STATEMENTS (55 marks, 33 minutes)

**Refer to the information relating to Jawara Ltd.**

2.1 Complete the Cash Flow Statement for the year ended 30 June 2022.
**Show supporting calculations in brackets.**

| | Note | |
|---|---|---|
| **Cash flows from operating activities** | | **Do not calculate** |
| **Cash generation from operations** | | |
| Interest paid | | |
| Dividends paid | | |
| Tax paid | | |
| **Cash flows from investing activities** | | **Do not calculate** |
| Investment matured | | |
| | | |
| | | |
| **Cash flows from financing activities** | | **Do not calculate** |
| Proceeds from the issue of shares | | |
| Repurchases of shares | | |
| | | |
| | | |
| **The net change in cash equivalents** | | **Do not calculate** |
| **Cash and cash equivalents – beginning of the year**<br>**(** | | |
| **Cash and cash equivalents – end of year**<br>**(** | | |

(15)

2.2 Complete the following notes to the Cash Flow Statement for the year ended 30 June 2022:

2.2.1 **Reconciliation between profit before taxation and cash generated from operations. Show supporting calculations in brackets.**

| | |
|---|---|
| Net profit before taxation | |
| **Adjustments in respect of:** | **259 840** |
| **Loss on disposal of asset** | **920** |
| **Depreciation** | **212 000** |
| **Interest expense on loan** | **46 920** |
| Operating profit before changes in working capital | |
| Changes in working capital: | |
| *Increase/Decrease in inventory<br>( | |
| *Increase/Decrease in receivables<br>( | |
| *Increase/Decrease in payables<br>( | |
| **Cash generated from operations** | |

(16)

***Circle the correct definition of the movement**

2.2.2 **Dividends paid**

| | |
|---|---|
| Amount owing at the end of the previous year | |
| Dividends paid and recommended ( | |
| Amount owing at end of the current year | |
| **Amount paid** | |

(4)

**Calculation of the interim dividends:**

| **Use the retained earnings / income note to calculate the interim dividend for the year:** | (3) |
|---|---|
| Retained income at the beginning of the year | **470 000** |
| Net profit after tax | |
| Repurchases | |
| **Dividends:** | |
| Interim dividend | |
| Recommended / Final dividend | |
| Retained income at the end of the year | **491 000** |

2.2.3 **Taxation paid**

| | |
|---|---|
| Amount owing at the end of the previous year | |
| Statement of Comprehensive Income amount | |
| Amount owing at the end of the current year | |
| **Amount paid** | |

(4)

**QUESTION 2**
**CASH FLOW STATEMENTS**
**CALCULATION PAGE**

**Use the space provided to show the calculations. All final amounts must be transferred to the relevant preceding question.**

| | |
|---|---|
| **Fixed (tangible) assets bought during the year.** | (4) |
| | |
| **Additional loan obtained during the year:** | (4) |
| | |
| **Loan repaid to be disclosed in the Cash Flow Statements.** | (2) |
| | |
| **Proceeds from the issue of new shares:** | (3) |
| | |

| |
|---|
| |
| **55** |

## QUESTION 3 COMPANY FINANCIAL STATEMENTS (75 marks, 45 minutes)

**Refer the information relating to Chidinma Ltd.**
**Show supporting calculations in brackets.**

3.1 Complete the Statement of Comprehensive Income (Income Statement) for the year ended 30 June 2022. Ensure that you include any additional information and adjustments. **Round off all calculations to the nearest Rand.**

| | |
|---|---|
| Sales ( | |
| **Cost of sales** | **(55 300 200)** |
| **Gross profit** | **Do not calculate** |
| **Other operating income** | **Do not calculate** |
| Rent income (2 648 580 | |
| Commission income ( | |
| | |
| **Gross operating income** | **Do not calculate** |
| **Operating expenses** | **Do not calculate** |
| Insurance | **777 484** |
| Directors fees | **1 525 000** |
| Sundry expenses | **422 800** |
| Depreciation | **966 352** |
| Telephone (1 955 000 | |
| Packing materials (23 400 | |
| Salaries and wages (5 811 500 | |
| UIF Contributions (58 115 | |
| Pension Fund Contribution (551 300 | |
| Medical Aid Contribution (453 750 | |
| Advertising and marketing expenses (8 127 000 | |
| | |
| | |
| | |
| **Operating profit** | **Do not calculate** |
| Interest income (356 250 | |
| **Profit before interest expense** | **Do not calculate** |
| Interest expense / financing cost (217 430 | |
| **Net profit before tax** | **Do not calculate** |
| Income tax ( | |
| **Net profit after tax** | **6 113 566** |

(30)

3.2 Complete the following notes to the Financial Statements for the year ended 30 June 2022.

3.2.1 **Inventory**

| | |
|---|---|
| Trading inventory (1 879 730 | |
| | |
| | **Do not calculate** |

(4)

3.2.2 **Trade and other receivables**

| | |
|---|---|
| Trade debtors (5 079 195 | |
| Debtors for salaries (79 200 | |
| | |
| | |
| | **Do not calculate** |

(13)

3.2.3 **Trade and other payables**

| | |
|---|---|
| Trade creditors (6 156 600 | |
| SARS: PAYE (233 400 | |
| Pension fund (826 950 | |
| Medical Aid Fund (907 500 | |
| UIF (116 230 | |
| | |
| | |
| | |
| | **Do not calculate** |

(17)

3.2.4 Calculate the final bank account amount as it would appear in the cash and cash equivalent note.

| | |
|---|---|
| **–147 620** | |

(6)

# QUESTION 3
# COMPANY FINANCIAL STATEMENTS
# CALCULATION PAGE

**Use the space provided to show the calculations. All final amounts must be transferred to the relevant preceding question.**

| | |
|---|---|
| **Deferred income/Income received in advance.** | (4) |
| | |
| **Interest outstanding on investment.** | (1) |
| | |

| |
|---|
| |
| **75** |

## QUESTION 4 INVENTORY (26 marks, 16 minutes)

**Refer to the information relating to Rodriguês Adventures.**
**Show supporting calculations in brackets.**

4.1 Calculate the closing stock value at year end of warm hiking boots using the **FIFO** method.

| | |
|---|---|
| | |
| | |
| | |
| **Closing stock value** | |

(6)

4.2 Calculate the cost of sales value of warm hiking boots for the current financial year.

| | |
|---|---|
| Opening stock | |
| Purchases | |
| Custom duties | |
| Returns | |
| Donations | |
| Closing stock | |
| **Cost of sales** | |

(6)

4.3 Calculate the gross profit value of warm hiking boots for the current financial year.

| | |
|---|---|
| | |
| | |
| | |

(4)

4.4 Rodriguês, the owner of Rodriguês Adventures suspects that the warm hiking boots are not selling well. Give a relevant calculation to substantiate (explain) the low sales.

| |
|---|
| |

(2)

4.5 Rodriguês is concerned about the control of stock in the business. Provide an appropriate calculation to confirm that warm hiking boots were stolen.

| |
|---|
| |

(4)

4.6 Rodriguês has asked you to suggest strategies to improve stock control and sales. Explain **ONE** strategy for each concept. Consider the information provided.

| Stock control | Sales |
|---|---|
| | |
| | |
| | |

(4)

| |
|---|
| **26** |

**Total: 200 marks**