



INTERNATIONAL SECONDARY CERTIFICATE EXAMINATION
NOVEMBER 2023

ACCOUNTING: PAPER I

Time: 2 hours

200 marks

INFORMATION BOOKLET

QUESTION 1 MANUFACTURING**(38 marks, 22 minutes)****Information relating to Tanatswa Tyres Manufacturers.**

Tanatswa Tyres Manufacturers produces approved car tyres and sells them to the public. Information for the financial year ended 30 September 2023 is provided.

1. Stock balances:	30 September 2023	1 October 2022
Raw materials	R25 179	R28 776
Work-in-process	?	30 000
Finished goods	10 494	110 550
Factory consumables	2 514	1 749

2. Summary of transactions for the year ended 30 September 2023.

Purchases of raw materials (Refer to additional information iv)	R ?
Carriage on raw materials purchased	21 200
Consumable stores for the factory bought for cash	25 230
Cleaning materials purchased for the office	12 330
Production wages	423 400
UIF Contribution to the factory employees	?
Salaries: Factory foreman	184 900
Administration	189 000
Sales personnel	217 000
Water and electricity	138 840
Sundry expenses: Factory	89 910
Administration	76 200
Sales department	68 390

3. Additional information:

- (i) The water and electricity account for September and October 2023 has already been paid and recorded during September 2023. R3 240 is the October 2023 amount paid. 25% of the water and electricity is divided equally amongst the sales department and administration department, while the rest is allocated to the factory department.
- (ii) Car tyres are sold at R1 100 each (60% mark-up on cost). The sales for the financial year amounted to R1 760 000.

- (iii) The wages for a factory worker for the last week of September 2023 were omitted from the wages journal. His details are:

Net wage	R10 206
Deductions:	
PAYE (18% of gross wages)	?
UIF (1% of gross wages)	?
The employer contributes on a Rand to Rand basis towards UIF	

- (iv) The consignment of raw materials (natural rubber), which was imported from the Philippines, was delivered on 30 September 2023. However, **no entry** has been processed. The costs were as follows: cost of raw material ₱289 000, carriage on purchases is equal to 10% of the purchases, import duties are R9 537 on these raw materials bought. The exchange rate was ₱1 = R0,33.
- (v) During a physical stock take of raw materials on 30 September 2023, 990 meters of natural rubber were recorded at R85,47 per meter instead of R74,97 per meter. This must be corrected.
- (vi) The total administration costs **after** taking the adjustments into consideration amounted to R300 130.
- (vii) Total selling and distribution costs **after** taking adjustments into consideration amount to R307 990.
- (viii) Cost per unit:

	30 September 2023	1 October 2022
Variable cost per unit	R1 020	
Direct material cost	R74,97	R85,47
Direct labour cost	R28,59	R20,70

QUESTION 2 CASH FLOW STATEMENTS**(64 marks; 38 minutes)****Information relating to Siyabonga Ltd.**

Siyabonga Ltd is a company that supplies Eskom with coal. Their financial year ends on 31 October each year. Siyabonga Ltd has 1 000 000 authorised ordinary share capital.

Extract from the Statement of Comprehensive Income for the year ended 31 October 2023:

Other income	2 505 100
Operating expenses	18 014 700
Interest on mortgage bond	?
Profit before income tax	544 000
Profit after income tax	366 480

Operating expenses include depreciation on vehicles, R115 500 as well as the depreciation on equipment, R99 000.

Statement of Financial Position as of 31 October

ASSETS	Note	2023 R	2022 R
Non-current assets		21 093 700	21 168 000
Fixed/Tangible assets		20 987 700	21 098 300
Financial assets: Investment with Nedbank Ltd		106 000	69 700
Current assets		19 250 800	16 648 500
Inventory (Trading inventory only)		8 277 300	7 193 300
Trade and other receivables		4 207 600	3 743 700
Cash and cash equivalents		6 765 900	5 711 500
Total assets		40 344 500	37 816 500
EQUITY AND LIABILITIES			
Shareholders' equity		3 715 700	3 386 200
Ordinary share capital		1 315 000	600 000
Retained income		2 400 700	2 786 200
Non-current liabilities		13 656 500	14 322 700
Mortgage bond: ABSA		13 656 500	14 322 700
Current liabilities		22 972 300	20 107 600
Trade and other payables		13 065 200	12 198 800
Bank overdraft		9 907 100	7 908 800
Total equity and liabilities		40 344 500	37 816 500

Notes to the financial statements	2023 R	2022 R
Trade and other receivables	4 207 600	3 743 700
Trade debtors	3 218 800	3 430 200
Income receivable	324 200	209 500
Prepaid expenses	121 900	104 000
SARS: Income Tax	542 700	0
Trade and other payables	13 065 200	12 198 800
Trade creditors	10 248 700	9 104 600
Income received in advance	2 431 400	2 046 800
Shareholders for dividends	385 100	353 300
SARS: Income Tax	0	694 100

Additional information:**1. Ordinary Share Capital:**

Issued and repurchased:

- 480 000 ordinary shares were in issue at the beginning of the year. On 1 December 2022, the directors of the company repurchased 65 000 ordinary shares at R6,50 per share.
- On 1 June 2023, the directors of the company issued 122 500 additional ordinary shares at R6,50.

2. Dividends for the 2023 financial year:

- interim dividend: R25 630
- final dividend R385 100

3. Tangible/Fixed assets:

- A vehicle was sold for cash at carrying value during the year. The sale has been recorded. The cost price of this vehicle was R350 000 and accumulated depreciation at the date of disposal was R247 900. Depreciation on this vehicle is included in the depreciation value given on page iv.
- Tangible assets were purchased during the year.

4. The current mortgage bond was increased by R64 000 during the year. This transaction was recorded. Interest on mortgage bond is capitalised. Siyabonga Ltd has made monthly equal payments of R150 750 to ABSA to cover interest and mortgage bond repayments. Calculate the interest on the mortgage bond.

QUESTION 3 COMPANY FINANCIAL STATEMENTS (68 marks, 42 minutes)**Information relating to Chimamanda Ltd.**

Chimamanda Ltd is an internationally recognised producer of convenience meal solutions for customers throughout South Africa, Sub-Saharan Africa and in major global markets. The company has an authorised share capital of 1 125 000 shares.

Pre-adjustment trial balance for the year ended 31 October 2023.

Statement of Financial Position account section	Debit	Credit
Ordinary share capital (750 000 shares)		5 850 000
Retained income		390 000
Land and buildings at cost price	2 750 000	
Vehicles at cost	3 000 000	
Accumulated depreciation on vehicles		612 500
Equipment at cost	389 000	
Accumulated depreciation on equipment		56 250
Trading inventory	335 200	
Debtors control	122 750	
Provision for bad debts		2 520
Bank	60 050	
Creditors control		1 266 700
SARS: Income tax	275 900	
Nominal Account section		
Sales		6 020 558
Debtors allowances	20 558	
Cost of sales	4 800 000	
Directors fees	1 200 000	
Audit fees	653 500	
Rent income		714 000
Stationery	56 990	
Salaries and wages	988 800	
Telephone	203 620	
Bad debts	6 535	
Repairs	69 125	
Donation	23 500	
Commission income		90 000
Dividends on ordinary shares	47 000	
	15 002 528	15 002 528

Additional information not yet taken into account:

1. Trading inventory to the value of R81 500 was bought on 27 October 2023 from Gerhardus Suppliers on credit, but **NOT** yet recorded.
2. During the year, Chimamanda Ltd donated trading inventory with a cost price of R10 800 to Inkateko Project Orphanage Centre. No entries have yet been made.
3. A credit note for R1 500, received from Gerhardus Suppliers on 27 October 2023, was **NOT** recorded in the books of Chimamanda Ltd. The credit note was for goods purchased.
4. The physical stock-taking on 31 October 2023 showed the following on hand:
 - Trading inventory, R405 900
 - Stationery, R5 810
5. The bookkeeper, Miss Tjaart, discovered a payment of R1 100 on the bank statement, which was received from M. Zayden in payment of her debt that had previously been written off. The transaction has **NOT** yet been recorded.
6. The only tenant, M. Charlize has not yet paid her rent for October 2023. The rent was increased by 15% on 1 April 2023.
7. S. Magriet, a debtor who owed R82 000, was declared insolvent. An EFT payment that represents the first and final payments of 40c in the Rand of the outstanding amount was received and correctly recorded. The remaining balance must be written off as irrecoverable. Provision for bad debts must be adjusted to 4% of the good debtors.
8. The telephone account of R2 300 for October 2023, will only be received in November 2023.
9. Directors and external auditors are still owed R120 000 and R80 000 respectively.
10. The business made a net loss for the last two financial years.
11. Fixed/tangible assets:
 - Vehicles are depreciated at 20% per annum on the diminished balance method.
 - One of the vehicles of Chimamanda Ltd was involved in an accident on 31 October 2023 and was damaged beyond repair. The insurance company, Outsurance, accepted a claim of R280 000 which will be paid to Chimamanda Ltd on 25 November 2023. The vehicle was purchased by Chimamanda Ltd on 1 May 2021 for R500 000. No entries have been made.
 - Equipment is depreciated at 15% per annum on the straight line method.
 - During the year R9 000 for repairs to equipment was debited to the equipment account.
 - The company purchased new equipment on 1 August 2023 for R14 000 on credit. It was put in use, but the transaction was by mistake omitted from the books.

QUESTION 4 INVENTORY**(30 marks; 18 minutes)****Information relating to Makanza Traders.**

You are provided with information relating to Makanza Traders for the financial year ending 31 October 2023. Makanza Traders sell foldable drying racks (for drying washed clothes) to the general public. They make use of the **periodic inventory system** and value their stock using First-In-First-Out (FIFO) method. The business's head offices are in South Africa.



The business imports its trading stock/inventories (foldable drying racks) from Ghana.

The exchange rate for the entire year remained constant at:

Ghanaian cedi (GH¢ 1) = South African rand (ZAR 1,50)

Carriage on purchases per item imported remained unchanged.

Information:**1. Inventories of foldable drying racks:**

The value of inventories at the beginning of the financial year was as follows. This includes carriage amounts.

Date	No. of items	Price per item	Total value
1 November 2022	45	R3 006,60	R135 297

2. Purchases of foldable drying racks:

Date 2023	No. of items	Cost price per item (excluding carriage)	Total purchases (excluding carriage)	Total Carriage on purchases	Total purchases (including carriage)
		GH¢	GH¢	GH¢	GH¢
28 February	60	1 994	119 640	84	119 724
30 April	90	1 522	136 980	126	137 106
31 July	50	1 620	81 000	70	81 070
31 October	20	1 790	35 800	28	35 828
Totals	220		373 420	308	373 728

3. Returns of foldable drying racks:

Makanza Traders were not satisfied with the quality of the foldable drying racks bought on 30 April 2023. 10 foldable drying racks were returned to the supplier as they have a manufacturing fault. The supplier will credit Makanza Trader's account with the cost price of each item. **The carriage is not refundable on returns.**

4. The physical stock-take on 31 October 2023 showed 26 foldable drying racks on hand.

5. Sales of foldable drying racks:

227 foldable drying racks were sold at R3 607 each.