INTERNATIONAL SECONDARY CERTIFICATE EXAMINATION
NOVEMBER 2024

ACCOUNTING: PAPER I

Time: 2 hours | 200 marks

INFORMATION BOOKLET

QUESTION 1 MANUFACTURING (43 marks, 26 minutes)

Information relating to Mwarira Tracksuits Manufacturers

Mwarira Tracksuits Manufacturers produces tracksuits made of soft, comfortable fabric such as cotton and fleece. The tracksuits come in a variety of styles, colours, and sizes.

Mwarira Tracksuits Manufacturers buys raw materials from China and local suppliers.

Information for the financial year ended 31 August 2024 is provided.

1. **Stock balances:**

	31 August 2024 R	1 September 2023 R
Raw materials	4 080	6 792
Work-in-process	4 560	3 960
Factory indirect materials	516	780

2. **Summary of transactions for the year ended 31 August 2024.**

	R
Advertising	6 000
Delivery costs on sales	3 204
Factory indirect material purchased on credit	3 936
Purchases of raw materials for cash	58 500
Purchases of raw materials on credit	75 060
Carriage on raw materials purchased	2 688
Raw materials returned to suppliers	4 356
Salaries and wages: Production Workers	44 160
Administration	14 880
Indirect labour	9 600
Pension Fund Contribution: Production Workers	3 840
Administration staff	1 560
Sales of finished goods (20% mark-up on cost)	378 600
Water and electricity	21 960
Rent expenses	29 568
Maintenance of factory equipment	3 120

3. **Additional information:**

(i) Raw materials imported from China were delivered on 31 August 2024. The costs were as follows:
- Cost of raw materials, ¥2 890
- Carriage on purchases, ¥125
- Import duties, ¥280

The exchange rate was 1 Chinese Yuan (¥) = R2,60 South African Rand.

(ii) Indirect labour: 75% is for the factory, and the rest is divided equally between selling and distribution, and the administration department.

(iii) Water and electricity are divided in the ratio of 3:1:1 between the factory, selling and distribution, and administration departments respectively.

(iv) 50% of rent expenses is allocated to the factory, and the rest is divided equally between the selling and distribution, and administration departments.

(v) Depreciation has been calculated as follows:
- Factory equipment, R3 816
- Sales vehicles, R7 320
- Administrative equipment, R2 304

(vi) Extract from the Statement of Comprehensive Income:

	Type of cost	**31 August 2024 R**
Sales		378 600
Cost of sales		?
Gross profit		?
Administrative expenses	Fixed	(28 560)
Selling and distribution costs	Variable	(30 564)
Net profit for the year		?

(vii) Extract from the Production Cost Statement:

	Type of cost	**2024 R**	**2023 R**
Direct material cost	Variable	?	53,20
Direct labour cost	Variable	?	
Prime cost		?	
Factory overhead cost	75% Fixed	?	
Total cost of production		?	
Number of Tracksuits produced		3 084	

(viii) 560 finished Tracksuits were unsold at the end of the year.

(ix) The selling price of similar products produced by competitors is R130 each.

QUESTION 2 INVENTORY (30 marks; 18 minutes)

Information relating to Lahja Traders

Shigwedha Lahja is the owner of Lahja Traders. Their head office is in South Africa. The business imports waterproof sports duffel bags from Zambia. These bags are specifically designed for athletes, outdoor enthusiasts, and travellers who need a reliable and waterproof solution to carry their gear. This bag allows you to carry your sports equipment, clothing, shoes, and other essentials conveniently as it does have spacious compartments and multiple pockets.

- Carriage on purchases remained constant throughout the year at R208 per item bought.
- Lahja Traders use the **periodic** inventory system for their stock and value it using the **Weighted Average** method. The financial year end is 31 October 2024.

Information:

1. **Inventories of waterproof sports duffel bags:**

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

Date	No. of items	Price per bag (including carriage costs)	Total value
1 November 2023	1 520	R1 435	R2 181 200

2. **Purchases of waterproof sports duffel bags:**

Date	No. of items	Cost price per item (excluding carriage)	Total purchases (excluding carriage)	Total carriage on purchases	Total purchases (including carriage)
		R	R	R	R
1 December 2023	1 250	1 349	1 686 250	260 000	1 946 250
10 May 2024	1 100	1 499	1 648 900	228 800	1 877 700
25 August 2024	750	1 390	1 042 500	156 000	1 198 500
Totals	**3 100**		**4 377 650**	**644 800**	**5 022 450**

3. Custom duties for all bags purchased during the year amounts to R1 255 612.

4. The business donated three waterproof sports duffel bags in the current financial year. The selling price was R1 873,75 for each bag. A mark-up of 25% is maintained by Lahja Traders.

5. **Returns of waterproof sports duffel bags:**
   - 215 waterproof sports duffel bags of 1 December 2023 purchases were turned back to the supplier due to a manufacturing fault.
   - 99 waterproof sports duffel bags of 25 August 2024 purchases were also returned to the supplier due to the incorrect colours of the bags delivered.
   - There is no refund for carriage costs and customs duties.

6. The physical stock-take on 31 October 2024 showed 300 waterproof sports duffel bags on hand.

7. **Sales of waterproof sports duffel bags:**

   4 000 waterproof sports duffel bags were sold. The selling price of a waterproof duffel bag is R2 333,50 each.

QUESTION 3 CASH FLOW STATEMENTS (66 marks; 40 minutes)

Information relating to Temba Ltd.

Temba Ltd.
Statement of Financial Position on 31 October

ASSETS	Note	2024 R	2023 R
Non-Current Assets		**51 782 000**	**45 009 000**
Fixed (Tangible) Assets		40 341 000	34 894 000
Financial Assets: Investment		11 441 000	10 115 000
Current assets		**?**	**32 057 000**
Inventories (Trading stock only)		?	18 396 000
Trade and other receivables	1	7 009 000	5 179 000
Cash and cash equivalents		10 785 000	8 482 000
Total Assets		**?**	**77 066 000**
Equity and liabilities			
Equity		**?**	**21 204 000**
Ordinary share capital		?	15 025 000
Retained Income		?	6 179 000
Non-Current Liabilities		**?**	**27 577 000**
Loan: Sebastian Bank at 16% p.a.		?	27 577 000
Current Liabilities		**32 488 000**	**28 285 000**
Trade and other payables	2	27 490 000	27 064 000
Bank overdrafts		4 998 000	1 221 000
Total Equity and Liabilities		**?**	**77 066 000**

Notes to the financial statements:

1	Trade and other receivables	2024 R	2023 R
	Trade debtors	5 988 000	3 921 000
	Accrued income/Income receivables (rental income)	800 000	358 000
	Prepaid expenses	221 000	384 000
	SARS: Income Tax	0	516 000
		7 009 000	**5 179 000**

2	**Trade and other payables**	**2024 R**	**2023 R**
	Trade creditors	22 489 000	23 356 000
	Accrued expenses/Expenses payables (Sundry expenses)	991 000	873 000
	Deferred income	184 000	78 000
	SARS: Income Tax	661 000	0
	Shareholders for dividends	3 165 000	2 757 000
		27 490 000	**27 064 000**

Additional information:

1. Extract from the Statement of Comprehensive Income

Depreciation	5 406 000
Interest expense	2 999 000
Income tax (30% of profit before tax)	2 556 000

2. The authorised share capital comprises of 2 000 000 ordinary shares.
   - There were 601 000 ordinary shares in issue at the beginning of the 2024 financial year.
   - A further 375 000 new shares were issued on the first day of the financial year at R20 each.
   - On the last day of the 2024 financial year, 54 650 ordinary shares were repurchased from a shareholder at a buy-back of R39 per share.

3. Interim dividends were paid during the year. The new shares issued at the beginning of the year qualify for interim dividends. Final dividends were also recommended.

4. Fixed (Tangible) Assets:
   - Fixed (Tangible) Assets valued at R11 840 600 were the only tangible assets bought during the 2024 financial year for cash.
   - Equipment was sold for cash on 31 October 2024 at carrying value.

5. After the loan statement was received, it was determined that R3 154 640 (excluding interest expenses payments) was paid and recorded during the current financial year. An increase in the existing loan was received and recorded in 2024. Interest on loan is capitalised.

6. The following financial indicators for 2024 were calculated:
   - Current ratio, 1,22 : 1.
   - Return on Average Shareholders' Equity, 25%.

QUESTION 4 COMPANY FINANCIAL STATEMENTS (61 marks, 37 minutes)

Information relating to Mia Ltd.

The following balances and totals were extracted from the Pre-adjustment Trial Balance of Mia Ltd on 31 October 2024.

Statement of Financial Position	
Mortgage bond: NK Bank (interest rate: 18% p.a.)	1 800 000
Vehicles	?
Equipment	1 425 000
Accumulated depreciation on vehicles (1 November 2023)	2 025 000
Accumulated depreciation on equipment (1 November 2023)	675 000
Fixed deposit: NK Bank (interest rate: 12% p.a.)	1 350 000
Trading stock	1 111 350
Bank (dr)	67 800
Contributions by the company	68 100
SARS: PAYE	96 150
SARS: Income Tax (cr)	150 000
Nominal Account Sections	
Debtors allowances	30 000

Additional information and adjustments:

1. The entries concerning the following were not recorded:

   - An invoice issued to a debtor for credit sales of R60 000 before a trade discount of 20% was granted. These goods were sold at a cost plus 50% mark-up.

   - A credit note issued to a debtor for merchandise returned, R97 500. The cost price of these goods was R78 000. The goods were put back into stock.

2. T. Nhando, a debtor who owed R18 000 was declared insolvent. 70 cents in rand was received from his insolvent estate but not recorded yet. The balance must be written off as irrecoverable.

3. C. van Aswegen whose account of R2 700 was written off as irrecoverable subsequently settled the debt in full. The accountant has made the following entries in this respect:

   Debited Bad Debts and Credited Debtors Control. Correct the error.

4. Adjust the provision for bad debts to R31 148.

5. Packing material bought for R4 500 was erroneously posted to the trading stock account. Correct the error.

6. R60 000 worth of packing material was used during the financial year.

7. The final stock count revealed a trading stock deficit of R72 750.

8. The insurance premiums on company vehicles were paid for 11 months. Note: After the annual review of the policy, the premium was reduced by 8% on 1 July 2024.

9. Included in the rent income amount is R72 000 rent for the period 1 February 2024 to 31 January 2025.

10. One of the employees who resigned on 30 September 2024 was not removed from the payroll and got paid in October 2024. The error needs to be corrected. The following information applies to the employee:

Gross salary	R27 000
PAYE: Deductions	R3 240
Pension Fund: Deductions	R1 710
UIF: Deductions	1% of the gross salary, limited to R177

The employer contributes R2 for every rand deducted from the employee towards the pension fund and rand for rand towards UIF. These items are regarded as contributions by the company.

11. Provide for outstanding interest on loan. A payment of R450 000 was made towards the mortgage bond on 29 February 2024 and this was properly recorded.

12. Depreciation on fixed assets for the current financial year must be provided as follows:

- On equipment at 10% p.a. on diminishing balance method. **Note:** A new computer with a cost price of R23 000 was bought on 1 February 2024 for cash. The transaction is not yet recorded.

- On vehicles at R150 000.

13. Income tax for the financial year ended 31 October 2024 amounted to R145 846. This must still be brought into account.