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TOTAL MARKS

INTERNATIONAL SECONDARY CERTIFICATE EXAMINATION
MAY 2023

ACCOUNTING: PAPER I

EXAMINATION NUMBER

Time: 2 hours

200 marks

PLEASE READ THE FOLLOWING INSTRUCTIONS CAREFULLY

1. This question paper consists of 14 pages, an Information Booklet of 9 pages (i–ix), and a Formula Sheet of 1 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 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: Inventories (28 minutes)	**46**			
Question 2: Financial Statements (34 minutes)	**57**			
Question 3: Cash Flow Statement (33 minutes)	**55**			
Question 4: Manufacturing (25 minutes)	**42**			
TOTAL	**200**			

QUESTION 1 INVENTORIES (46 marks; 28 minutes)

Refer to the information relating to the financial records of Simelane Traders.

1.1 List **TWO** reasons in support of Simelane Traders choosing the perpetual inventory system.

(2)

1.2 Which other inventory system could Simelane Traders use to value their trading inventory?

(1)

1.3 Calculate the value of stolen items during looting including carriage.

(5)

1.4 Calculate the number of Bluetooth speakers sold during the year.

(3)

1.5 Calculate the value of closing inventory as of 30 June 2022, using the FIFO method.

(3)

1.6 Calculate the cost of sales value for the year ended 30 June 2022.

Carriage on purchases (Returned items)	
COST OF SALES	

(7)

1.7 Calculate gross profit for the year ended 30 June 2022.

Sales (	
Cost of sales	
GROSS PROFIT	

(4)

1.8 If Simelane Traders had chosen to use the weighted average method of valuing stock, what effect would this have had on their gross profit? To support your answer, provide a calculation using relevant information and figures that were provided in the Information Booklet.

Calculation   Comment on the effect of gross profit:

(7)

1.9 Simelane Traders is considering changing from the perpetual inventory system to another inventory system. List **ONE** disadvantage of using this alternative inventory system.

(1)

1.10 Simelane Traders is undecided about the selling price and whether they should adjust the selling price upwards or maintain it. Give **TWO** points of advice to Simelane Traders to assist the business with decisions.

•
•

(4)

1.11 In your opinion, does Simelane Traders keep sufficient stock on hand to satisfy its customers? Support your answer with the use of a financial indicator.

Financial indicator calculation (3)   Conclusion (2)

(5)

1.12 If you were appointed as the internal auditor, what internal control procedures would you recommend for Simelane Traders to implement to minimise errors in the inventory records? Provide **TWO** points.

(2)

1.13 Simelane Traders does not have insurance. Give them **ONE** benefit of insurance.

(2)

46

QUESTION 2 FINANCIAL STATEMENTS (57 marks; 34 minutes)

Refer to the information relating to Mulenga Ltd.

2.1 Calculate the depreciation expense for the financial year on the delivery vehicle sold. Show your supporting calculation.

(3)

2.2 Show the calculation for the sale of the vehicle and indicate if it is a profit/loss.

(6)

2.3 Refer to additional information no. 1 to 4 and calculate the adjusted net profit after tax for the year ended 30 June 2022. Indicate if the amount will be added or subtracted. Use brackets ( ) for negative values.

Note: Round off calculations to the nearest rand.

Net profit before tax (before adjustments)	
Adjusted net profit before tax	
Income tax (	
Net profit after tax	

(7)

2.4 Calculate the average share price (round off to two decimal places).

(3)

2.5 Complete the following notes to the financial statements as they would have appeared on 30 June 2022. All workings must be shown.

2.5.1 **Ordinary Share Capital**

AUTHORISED	
2 000 000 ordinary shares	
ISSUED	
940 900 ordinary shares in issue at beginning of the financial year	**10 067 630**
…………. shares of R ………. each issued during the year	
…………. shares repurchased (average price R ....)	
…………. ordinary shares in issue at end of the financial year	

(4)

2.5.2 **Retained Income**

Retained income at beginning of the year	**1 929 817**
Repurchase of shares (at	
Dividends on ordinary shares	
Paid (	
Recommended (	
Retained income at end of year	

(8)

2.6 Complete the Statement of Financial Position on 30 June 2022.

Note: Where notes are not required, show working in brackets to earn part marks. Items that form part of trade and other receivables/payables, must be disclosed separately in the Statement of Financial Position.

ASSETS	**Workings:**	
Non-current assets		**Do not calculate**
Fixed (Tangible) assets	**(6 485 323**	
Investment in Farai Bank		
Current Assets		**Do not calculate**
Trading stock		
Trade debtors	**(5 965 279**	
Cash and cash equivalents	**(4 230 041**	
TOTAL ASSETS		**Do not calculate**
EQUITY AND LIABILITIES		
ORDINARY SHAREHOLDERS EQUITY		**Do not calculate**
Ordinary share capital		
Retained income		
NON-CURRENT LIABILITIES		**Do not calculate**
Loan from Makete Bank		
Current liabilities		**Do not calculate**
Trade creditors		
TOTAL EQUITY AND LIABILITIES		**Do not calculate**

(26)

57

QUESTION 3 CASH FLOW STATEMENT (55 marks; 33 minutes)

Refer to the information relating to Cules Ltd.

3.1 Refer to the additional information and calculate the carrying value of the equipment sold.

(4)

3.2 Complete the reconciliation between profit before taxation and cash generated from operations.
Note: show supporting calculations

Profit before taxation	
Adjustment in respect of:	
Depreciation	**5 336 000**
Interest on loan	**3 095 000**
Operating profit before changes in working capital	
Changes in working capital:	
* Increase/decrease in inventory (	
* Increase/decrease in receivables (	
* Increase/decrease in payables (	
Cash generated from operations	

(12)

* Circle the correct movement.

3.3 Complete the Cash Flow Statement for the year ended 30 June 2022. Where notes are not required, show workings in brackets to earn part marks.

CASH FLOWS FROM OPERATING ACTIVITIES	**Do not calculate**
Cash generated from operations	
Interest paid	
Dividends paid (	
Taxation paid (	
CASH FLOWS FROM INVESTING ACTIVITIES	**Do not calculate**
Purchase of fixed assets	
Proceeds on the disposal of discontinued operations	**54 000**
CASH FLOWS FROM FINANCING ACTIVITIES	**Do not calculate**
Proceeds from repurchases of shares (1 659 200	
Proceeds from mortgage loan (27 577 000	
NET CHANGE IN CASH AND CASH EQUIVALENTS	
Cash and cash equivalents: beginning of year	
Cash and cash equivalents: end of year	

(27)

3.4 Cules Ltd is selling savings stamps. Customers buy these stamps as this will help them to save small amounts of money that they can exchange at a later stage for Christmas groceries.

3.4.1 In the General Ledger accounts, the sales of savings stamps will be treated differently from the sale of goods. Provide a reason to support why it would be treated differently.

(2)

3.4.2 When the customers buy savings stamps from the company, how should these cash receipt transactions be recorded in the books of the company? Indicate the **TWO** ledger accounts that will be affected.

Debit account:
Credit account:

(2)

3.5 When the customers use the savings stamps to buy goods and services from the company, how should the transactions be recorded in the books of the company? Indicate the **FOUR** accounts that will be affected.

Debit account:
Credit account:
Debit account:
Credit account:

(4)

3.6 Identify the financial statement and item that the business will use to disclose the unused saving stamps value on 30 June 2022.

(2)

3.7 The company has included, under the Trade and other payables note 'Employee benefit accruals'. List **TWO** items that would form part of employee benefit accruals.

(2)

55

QUESTION 4 MANUFACTURING (42 marks: 25 minutes)

Refer to the information relating to Boots for Africa.

4.1 Calculate the total direct labour cost for the year ended 30 June 2022.
Note: Show supporting calculations.

Provisional total (excluding last week of financial year)	**1 023 797**
Final year-end total direct labour cost	

(11)

4.2 Complete the direct material cost note for the year ended 31 June 2022.
Note: Show supporting calculations

Opening stock	**80 100**
Closing stock	**(72 900)**
Raw material issued to factory	

(6)

4.3 Prepare the production cost statement for the year ended 30 June 2022.
Note: Show supporting calculations.

Prime cost	
Factory overheads	**588 353**
Total cost of production	
Work-in-progress at the beginning of the year	**1 233 000**
Work-in-progress at the end of the year	
Cost of completed goods/ finished goods	

(6)

4.4 Complete the production cost of finished goods sold note.

Opening inventory of finished goods	**216 000**
Cost of production of finished goods produced during the year	
Closing inventory of finished goods	
Cost of finished goods sold (	

(4)

4.5 Suggest **TWO** ways in which Boots for Africa could decrease direct material cost.

(2)

4.6 Calculate the variable costs per unit.

(5)

4.7 Calculate the breakeven point for the year ended 30 June 2022.

(5)

4.8 Should Boots for Africa be satisfied with the current level of production? Motivate your answer by including relevant figures to support your answer.

(3)

42

Total: 200 marks