



NATIONAL SENIOR CERTIFICATE EXAMINATION  
EXEMPLAR 2008

**ACCOUNTING: PAPER I**  
**MARKING GUIDELINES**

Time: 2 hours

200 marks

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**QUESTION 1**

**1.1 PART A**

1.1.1 SARS ✓

1.1.2

$427\,500 \times 14/114 = 52\,500$  ✓  
 $4\,600 \times 14/114 = (564,91)$  ✓  
 $2\,850 \times 14/114 = (350)$  ✓  
 Output VAT = R51 585,09 ✓

1.1.3

$(193\,800 - 2\,280) \times 14/114 = 23\,520$  ✓✓  
 $85\,500 \times 14/114 = 10\,500$  ✓  
 $4\,731 \times 14/114 = (581)$  ✓  
 Input VAT = R33 169 ✓

1.1.4 Financial statement: Balance sheet

Where in the financial statement: Trade and other payables ✓

1.1.5 Date: 25<sup>th</sup> of next month ✓

Penalty: 10% interest ✓

**1.2 PART B**

1.2.1 Appropriation account

Appropriation account

2008 Feb	28	Income tax	GJ	✓✓ 65 000	2008 Feb	28	Accumulated profit	GJ	✓ 60 000
	28	Distributions	GJ	✓✓ 120 000		28	Profit and loss		✓ 215 000
	28	Accumulated profit	GJ	✓ 90 000					
				<b>275 000</b>					<b>275 000</b>

1.2.2 In the form of loans ✓

- Earn interest on loans ✓✓
- Loan must be repaid to the member ✓✓

1.2.3

- Sven increased his members' contribution by R250 000. ✓✓
- Interest on the mortgage bond increased by R70 000. ✓✓

1.2.4 Risk

Should be happy as the business is at medium risk with the average ROCE being 10% higher than the rate on interest paid on borrowed money. ✓✓✓

Profitability

Net profit after tax has increased and the average ROME is much higher than the rate of interest they would earn if the money was invested in a bank. ✓✓✓

1.2.5 Formulae 1

Reason Loans to members are an investment to the CC that earns interest for the CC. ✓✓

Please note: If formulae 2 is selected and the reason is valid use discretion to mark correct.

**39 marks**

**QUESTION 2**

**2.1 PART A**

2.1.1

**Mace Traders Ltd  
Income statement for the year ended 28 February 2008**

Sales	1 237 500✓✓
Cost of sales	<b>(750 000)</b>
Gross profit	487 500✓✓
Other operating incomes	112 500✓
Rent income (96 200 – 14 300 ✓✓✓)	81 900✓
Other incomes	<b>30 600</b>
Operating expenses	(272 250)✓
Depreciation (42 975 ✓✓ + 13 500 ✓✓)	56 475✓
Sundry expenses	215 775
Operating profit	327 750✓
Interest expense (47 000 + 22 000 ✓✓✓)	(69 000)✓
Net profit before tax	258 750✓
Income tax	(77 625)✓✓
Net profit after tax	<b>181 125</b>

## 2.1.2

**Mace Traders Ltd**  
**Balance sheet on 28 February 2008**

<b>Equity and liabilities</b>	
Ordinary shareholders' equity (450 000 ÷ 0,4)	1 125 000✓✓
Ordinary share capital	950 000✓
Ordinary share premium (50 000 x 1,10)	55 000✓✓
Accumulated profit (48 872✓ + 181 128✓ – 110 000✓✓)	120 000✓
Long term liabilities	<b>450 000</b>
Current liabilities	185 000✓✓✓
Trade and other payables	160 000✓
Bank overdraft	<b>25 000</b>
Total equity and liabilities	1 760 000✓

## 2.1.3

**Notes to the Balance sheet on 28 February 2008**

<b>Trade and other payables</b>	
<b>Trade creditors</b>	<b>28 575</b>
SARS (Income tax)	7 625✓✓
Accrued expenses	22 000✓✓
Income received in advance	14 300✓✓
Shareholders for dividends	87 500✓✓
	160 000

2.2 **PART B**

## 2.2.1

## OHNO VEY Traders Ltd

## Cash flow statement for the year ended 28 February 2007

<b>Cash flows from operating activities</b>	106 600✓
Cash generated from operations	268 000✓
Income tax paid (-8 500 + 39 000 + 3 200)	(33 700)✓✓✓
Dividends paid (55 000 + 25 000)	(80 000)✓✓
Interest paid (-2 500 + 47 000 + 3 200)	(47 700)✓✓✓

## Notes to the cash flow statement for the year ended 28 February 2008

<b>Reconciliation of profit before tax and cash generated from operations</b>	
Net profit before tax	130 000✓
Adjustments for:	
Depreciation (1 750 000 + 180 000 – 32 000 – 2 000 000)	102 000✓✓✓✓
Interest expense	47 000✓
Profit before changes in working capital	279 000✓
Changes in working capital	(11 000)✓
Increase ✓ in inventories	(20 000)✓✓
Decrease ✓ in trade and other receivables	35 000✓✓
Decrease ✓ in trade and other payables	(26 000)✓✓✓
Cash generated from operations	268 000✓

## 2.2.2

- (a) Cash flows from investing activities ✓  
Cash flows from financing activities ✓
- (b)
- The amount owed to shareholders has increased from 2007 to 2008, this means that although profits have increased by 8% dividends increased by 81% this could have a negative effect on the growth of the company. ✓✓
  - Loans have increased as interest has increased from R40 000 to R47 000. ✓✓

81 marks

## QUESTION 3

## 3.1 PART A

Kitties Knits

Production Cost Statement for the year ended 31 October 2008

Direct costs/ Primary costs		238 290✓
Direct raw materials consumed	1.	153 450
Direct labour (84 000 + 840)		84 840✓✓✓
Factory overhead costs	3.	44 640
Total cost of goods manufactured		282 930✓
Work in progress: 1 November 2007		7 070
		290 000✓
Work in progress: 31 October 2008		(32 000)✓
Cost of finished goods manufactured		258 000✓
Cost per unit		R60,00

Notes to the Production cost statement for the year ended 31 October 2008

1. Direct raw material consumed	153 450
Raw materials on hand on 1 November 2007	9 500✓
Raw materials purchased (156 250 – 3 750)	152 500✓✓
Railage on raw materials	2 700✓✓
Raw materials available	164 700✓
Raw materials on hand on 31 October 2008	(11 250)

3. Factory overheads	44 640✓
Indirect materials (750 + 4 275 – 1 225)	3 800✓✓✓
Indirect labour (24 000 + 240)	24 240✓✓
Maintenance of knitting machines	5 500✓
Depreciation	2 100✓
Water and electricity	9 000✓✓

3.2 **PART B**

3.2.1 Fixed costs – costs that must be paid irrespective of production ✓  
 Example: Insurance, rent expense, salaries and wages of admin staff ✓

Variable costs – costs that vary depending on production ✓  
 Example: Direct labour costs, Raw material costs, Selling and distribution costs ✓

✓✓      ✓      ✓  
 3.2.2  $933\,750 \div (93 - 31,50) = 15183$  units ✓

3.2.3 Sales and distribution costs ✓ – petrol price, electricity and other expenses have increased. ✓

Direct material costs have increased ✓ – rand has dropped in value against the dollar making imports more expensive ✓

3.2.4 Yes ✓  
 Competitors are selling their soccer balls for R105, therefore if there is a demand he could increase the price of his product. ✓✓

<b>40 marks</b>
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**QUESTION 4**4.1 **PART A**

4.1.1

- $200 + 480 - 560 = 120$  ✓✓✓
- $150 + 300 - 70 = 380$  ✓✓✓

4.1.2

- $(200 \times 5) + (360 \times 5,5) + (150 \times 3,2) + (230 \times 3,5) = R4\,265$  ✓  
     ✓                      ✓
- $R4\,265 - 2\,132,50 = R2\,132,50$  ✓

4.1.3  $R122,50 + 330 = R452,50$  ✓✓✓

4.1.4 Yes, as it is the end of the school year and school will only go back in January. Stock could become obsolete or could be stolen. ✓✓✓

4.1.5 Could buy at cost then sell the merchandise to his friends at a higher price to make money for himself. ✓✓

**4.2 PART B**

$$4.2.1 \quad \begin{array}{ccc} \checkmark & & \checkmark \\ (375 \div 6\,000) \times (100 \div 15) \times 12 = 5 \text{ months} & \checkmark & \\ = 31 \text{ July } 2008 \text{ or } 1 \text{ August } 2008 & \checkmark & \end{array}$$

$$4.2.2 \quad \begin{array}{ccc} \checkmark\checkmark & & \checkmark \\ R2\,025 - 125 = R\,1\,900 & \checkmark & \end{array}$$

4.2.3 Only goods sold on credit can be recorded in the DJ.  $\checkmark\checkmark$

$$4.2.4 \quad R31\,000 - 14\,700 = R16\,300 \checkmark\checkmark\checkmark$$

4.2.5 Historical cost  $\checkmark\checkmark$

4.2.6

- Regular services.  $\checkmark\checkmark$
- Do not allow staff to take equipment home.  $\checkmark\checkmark$
- Have a code of conduct that includes a clause on taking care of the businesses possessions.
- Make employees sign for the equipment and then take responsibility for looking after it.

<b>40 marks</b>
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**TOTAL FOR THIS PAPER: 200 MARKS**