



NATIONAL SENIOR CERTIFICATE

GRADE 11

NOVEMBER 2014

ACCOUNTING MARKING GUIDELINE (MEMORANDUM)

MARKS: 300

GENERAL PRINCIPLES:

- 1 Where calculations are required, award full marks for the final answer. If the answer is incorrect, mark the workings provided. If the working amount is shown as a final answer, award the relevant marks allocated for workings (Income statement), and not the method mark for the answer.
- 2 Method marks are denoted by .
 - For calculations and final totals, at least one part of the workings must be correct for the method mark to be earned. For totals – inspect operation and reasonableness of answer before awarding the mark.
 - In cases where answers of previous questions must be used (carried forward answers), check the transfer.
 - Unless otherwise indicated, the positive or negative effect of any figure must be considered to award the mark. If no sign (+/-) or bracket is provided, assume that the figure is positive.
- 3 For questions requiring explanations and comments (2 marks or more), award part-marks. A good comment will normally mention and explain a point. Beware of different ways to say the same thing. Note that the marking guideline only offers suggested answers – read and try to make sense of what the learner is attempting to convey, and award marks accordingly.
- 4 Where penalties are applied (such as foreign items, misplaced items, omitted details, etc.), the marks for that section cannot be a negative. Penalties will be indicated next to the relevant questions where applicable. *Where foreign items are included in any calculation, full marks cannot be awarded.*
- 5 Markers are advised to work through the question paper and compare with this guideline, *before* marking. If adjustments are necessary, do so within the framework of the mark allocation.

This memorandum consists of 14 pages.

QUESTION 1: RECONCILIATIONS AND FIXED ASSETS

(50 marks; 30 minutes)

1.1 Bank Reconciliation

NO.	JOURNALS AND BANK ACCOUNT			BANK STATEMENT		NO ENTRY (X)
	CONTRA ACCOUNT - DETAILS	AMOUNT DEBITED	AMOUNT CREDITED	AMOUNT DEBITED	AMOUNT CREDITED	
E.g.	<i>Interest on overdraft</i>		R85,00			
A					4 500 ✓	
B	Interest income/ Interest on current account ✓	120 ✓				
C	Loan: Maxi Bank ✓		5 500 ✓			
D				1 480 ✓		
E	Drawings ✓ (175 – 157)		18 ✓✓			
F						X ✓
G	Advertising ✓	570 ✓				
H						X ✓
I	(5 680 – 2270)			3 410 ✓✓		

15

-1 for foreign entries (maximum -3) foreign entries are extra entries per line where marks are scored.

1.2 Creditors Reconciliation

	CREDITORS LEDGER ACCOUNT	STATEMENT FROM TRODAT TRADERS
Balance / total	10 991	16 091
A	300 ✓✓ or Cr	
B		- 540 ✓✓ or Cr
C	- 70 ✓✓ or Dr	
D	(2000 + 2000) 4 000 ✓✓✓ or Cr	
E	One mark each for 2 000 and one mark for correct sign.	- 5 000 ✓✓ or Cr
F		4 670 ✓✓ or Dr
BALANCE (30 SEPTEMBER 2014)	15 221 ☑	15 221 ☑

15

Allocate one mark for the amount and one mark for the sign.

1.3 Fixed Assets

1.3.1

A	$50\,000 \times (20\% \times \frac{1}{2}) = 5\,000$ (one part correct) \checkmark $10\% \checkmark$ \checkmark	<div style="border: 1px solid black; width: 40px; height: 20px; margin: 0 auto;"></div> <div style="border: 1px solid black; width: 40px; height: 20px; text-align: center; margin: 0 auto;">3</div>
B	A above $5\,000 + 5\,000 = 10\,000$ (one part correct) \checkmark \checkmark \checkmark A (current depreciation) + 5 000 (accumulated depreciation on the asset sold) (50 000 x 20% x 1/2) from the previous year.	<div style="border: 1px solid black; width: 40px; height: 20px; margin: 0 auto;"></div> <div style="border: 1px solid black; width: 40px; height: 20px; text-align: center; margin: 0 auto;">3</div>
C	$140\,000 \checkmark$ $(190\,000 - 50\,000) \times 20\% = 28\,000 \checkmark$ $80\,000 \checkmark \times (20\% \times \frac{3}{12}) = 4\,000 \checkmark$ $28\,000 + 4\,000 = 32\,000 \checkmark$ (one part correct)	<div style="border: 1px solid black; width: 40px; height: 20px; margin: 0 auto;"></div> <div style="border: 1px solid black; width: 40px; height: 20px; text-align: center; margin: 0 auto;">5</div>

1.3.2

**GENERAL LEDGER OF EAST END STORES
ASSET DISPOSAL ACCOUNT (N10)**

2013 Sept	1	Equipment	50 000 \checkmark		2013 Sept	1	Accumulated depreciation on equipment \checkmark (refer B)	10 000 \checkmark
							Bank \checkmark	38 400 \checkmark
							Loss on sale of asset \checkmark	1 600 \checkmark
			50 000					50 000

7

1.3.3

Provide a suitable reason for the equipment being disposed (sold).

Any reasonable answer $\checkmark \checkmark$

Upgrading – if its technology
 Improving the image of the business (new furniture)
 Re-designing the layout for more efficiency
 Equipment not suitable or giving problems (maintenance)

2

Q1	50	
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QUESTION 2: SPORTS CLUBS

(45 marks; 27 minutes)

2.1

**GENERAL LEDGER OF AMATHOLE HIKING CLUB
CREDITORS CONTROL (OUTDOOR MANUFACTURERS)**

2013 Dec	31	Hiking bags stock (CAJ)	3 000 ✓	2013 Jan	1	Balance (b/d)	750 ✓
		Bank ✓	7 250 ✓	Dec	31	Hiking Bags stock ✓ (CJ)	12 250 ☑
		Balance (c/d)	2 750 ✓				
			13 000				13 000
				2014 Jan	1	Balance (b/d)	2 750

7

HIKING BAGS STOCK ACCOUNT (B6)

2013 Jan	1	Balance (b/d)	6 000 ✓	2013 Dec	31	Fund raising ✓	1 500 ✓✓
Dec	31	Bank	15 000 ✓			Cost of sales ✓	24 500 ✓✓
		Creditors control ✓ (CJ)	12 250 ☑			Creditors control (CAJ)	3 000 ☑
						Balance (c/d)	4 250 ☑
			33 250				33 250
2014 Jan	1	Balance (b/d)	4 250			28 910 x ¹⁰⁰ / ₁₁₈	

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MEMBERSHIP FEES ACCOUNT (N3)

2013 Jan	1	Accrued income	5 400 ✓	2013 Jan	1	Income received in advance	1 500 ✓
Dec	31	Income received in advance ✓	2 700 ✓	Dec	31	Bank ✓	60 300 ✓
		Income and expenditure ✓ 206 ✓ x R300	61 800 ☑			Membership fees written off ✓ (5 400 – 3 600)	1 800 ✓✓
						Honorarium ✓	300 ✓
						Accrued income ✓	6 000 ✓
			69 900				69 900

$$190 - 6 + 14 + 8 = 206 \text{ members}$$

16

2.2 The new members were unhappy about the fees they had to pay for the year.

<p>2.2.1 Give a possible reason why they feel this way.</p> <p>Any valid reason ✓✓</p> <p>They had to pay the full amount even though they joined at different times during the year. Did not enjoy the same benefit as those members who were members for the whole year.</p>	<table border="1"> <tr><td> </td></tr> <tr><td>2</td></tr> </table>		2
2			
<p>2.2.2 Provide a suggestion to the committee to address this matter.</p> <p>Any suitable explanation ✓✓</p> <p>Pay structure must accommodate a pro rata payment. Pay for the months (portion) in the first year. Use a monthly payment system.</p>	<table border="1"> <tr><td> </td></tr> <tr><td>2</td></tr> </table>		2
2			

2.3 The chairperson is concerned with the manner in which the treasurer is managing the collection of fees.

<p>2.3.1 Why do you think she feels this way? (Quote relevant figures to support your answer)</p> <p>One valid reason ✓ quoting figures ✓</p> <p>R5 400 was outstanding last year and R6 000 this year. (20 members did not pay) This is approximately 10% of members. There is no penalty for non-payment. There appear to be no urgency on the part of members. Also large number written off as bad debts.</p>	<table border="1"> <tr><td> </td></tr> <tr><td>2</td></tr> </table>		2
2			

<p>2.3.2 Provide TWO suggestions that the treasurer can use to improve the collection of fees from members. Note that the chairperson is not in favour of charging members interest on their overdue account.</p> <p>Any TWO valid suggestions not mentioning charge interest. ✓✓ ✓✓</p> <p>Devise a payment policy and communicate to all members. Offer incentives such as discounted amounts if paid before a certain date. Create competitions for fully paid members.</p>	<table border="1"> <tr><td> </td></tr> <tr><td>4</td></tr> </table>		4
4			

Q2	45	
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**QUESTION 3: INCOME STATEMENT AND NOTE TO
BALANCE SHEET**

(60 marks; 36 minutes)

**3.1.1 Queen Stores
Income Statement for the year ended 30 June 2014**

Sales	(930 000 ✓ + 1 400 ✓) – (3 350 ✓ + 240 ✓)	927 810	<input checked="" type="checkbox"/> ⑤
Cost of Sales	620 000 ✓ + 875 ✓✓	(620 875)	<input checked="" type="checkbox"/> ④
GROSS PROFIT		306 935	<input checked="" type="checkbox"/>
Other income		74 545	
Provision for bad debts adjustment		310	✓✓
Fee income	(32 550 ✓ + 120 ✓)	32 670	✓ ③
Rent income	(35 600 ✓ + 3 400 ✓✓)	39 000	<input checked="" type="checkbox"/> ④
Discount received		2 565	✓
Gross income	21	381 480	<input checked="" type="checkbox"/>
Operating expenses		(116 670)	
Trading stock deficit	(49 680 – 45 650)	4 030	✓✓
Salaries and wages		56 400	✓
Consumable stores	(12 820 ✓ – 720 ✓)	12 100	✓ ③
Stationery		5 440	✓
Discount allowed		1 240	✓
Advertising	(2 260 ✓ – 490 ✓)	1 770	<input checked="" type="checkbox"/> ③
Bank charges	(5 440 ✓ + 350 ✓)	5 790	✓ ③
Insurance	(8 800 ✓ + 1 000 ✓✓)	9 800	<input checked="" type="checkbox"/> ④
Bad debts		2 100	✓
Sundry expenses		18 000	✓
Operating profit		264 810	<input checked="" type="checkbox"/>
Interest income	(4 725 ✓ + 2 250 ✓✓)	6 975	<input checked="" type="checkbox"/> ③
Profit before interest expense		271 785	<input checked="" type="checkbox"/>
Interest expense	(220 ✓ + 27 450 ✓✓)	(27 670)	<input checked="" type="checkbox"/> ④
Net profit for the year	29	244 115	<input checked="" type="checkbox"/>

52

-1 each for foreign items (all balance sheet accounts) Max -2
Misplaced items must be marked wrong.

3.1.2 TRADE AND OTHER RECEIVABLES

Debtors Control	(36 420 ✓ – 240 ✓ + 1 520 ✓)	37 700	<input checked="" type="checkbox"/> ④
Provision for bad debts	(5% of the debtors control amount)	(1 885)	<input checked="" type="checkbox"/>
Net trade debtors	(this may not be included)	35 815	
Prepaid expenses		490	✓
Accrued income		2 250	<input checked="" type="checkbox"/>
	Operation (one part correct above)	38 555	<input checked="" type="checkbox"/>

8

Q3	60	
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QUESTION 4: PARTNERSHIPS AND RATIO ANALYSIS

(50 marks; 30 minutes)

4.1 NOTE : CURRENT ACCOUNT

	SAM	TOM	TOTAL
Salaries	102 000	107 100 ✓✓	209 100
Interest on capital	58 500 ✓✓	40 000	98 500
Bonus		16 800 ✓✓	16 800
Primary distribution of profits	160 500 ✓	163 900 ✓	324 400 ✓
Final distribution of profits	11 250 ✓✓	7 500	18 750 ✓
Net profit as per income statement	171 750	171 400	343 150 ✓
Drawings	(145 950) ✓	(102 840) ✓	(248 790)
Retained income for the year	25 800 ✓	68 560 ✓	94 360
Balance at the beginning of the year	6 750	(9 800) ✓	(3 050) ✓
Balance at end of the year.	32 550	58 760 ✓	91 310 ✓

21

4.2 4.2.1 Debt/equity ratio

$$820\ 000 : (750\ 000 + 500\ 000 + 91\ 310)$$

$$= 0,61 : 1 \quad \checkmark \quad (\text{accept } 0,6 : 1 \text{ must be in the form } x : 1)$$

5

4.2.2 Acid test ratio

$$(1\ 300 + 37\ 500) : (32\ 300 + 7\ 750)$$

$$= 0,97 : 1 \quad \checkmark \quad (\text{accept } 0,9 : 1 \text{ must be in the form } x : 1)$$

5

4.2.3 Percentage return on investment earned by Sam.

$$\frac{171\ 750}{\frac{1}{2} (725\ 000 + 750\ 000 + 6\ 750 + 32\ 550)} \times 100$$

$$= 22,7\% \quad \checkmark \quad (\text{as a } \% ; \text{ accept } 21\%)$$

6

4.3

Should Sam be satisfied with his return on investment? Explain and quote relevant figures or financial indicators to support your answer.

Yes/No ✓ Good explanation with figures ✓✓ Explanation without figures ✓

Yes : better than interest rates on alternative investments; could be better than previous year (no figures given), comparable to return on total partners' equity.

No: not as good as return on total partners equity, need to compare with Tom's return (not given)

3

4.4

Tom was concerned that the percentage net profit on sales decreased although the operating profit on sales has improved. Provide him with an explanation. Quote appropriate figures in your explanation.

Good answer (quoting figures) ✓✓✓ satisfactory answer ✓✓ weak ✓

Operating profit on sales – improved from 34% to 36,6% – indicates good management of operating expenses or could denote an increase in sales or gross profit.

Net profit on sales – decreased from 33% to 30,6% – the difference is because of the management of debt – possibly paying too much interest on borrowed funds.

3

4.5

Comment on the liquidity position of the business. Quote TWO relevant financial indicators (with figures) in your response.

Quoting ratios (with figures) ✓✓ comment ✓✓

Any TWO ratios explained.

The current ratio decreased from 1,98: 1 to 1,7: 1
 The acid test ratio decreased from 1,1:1, to 0,97: 1
 Stock turnover rate dropped from 15 times a year to 14,6 times a year.
 All ratios show a negative trend. Although the drops are not very significant amounts, it could be of concern that we are holding too much stock on hand. (therefore buying less)
 The cash management is also bad (overdraft).

4

4.6

Sam wants to increase the loan by an additional R150 000 to make improvements to the existing buildings. What advice would you offer him? You must make reference to financial indicators and figures to support your advice.

✓✓ for the advice ; ✓ for quoting appropriate figures.

The debt: equity ratio indicates high risk (0,6 : 1) which is an increase from the previous year (0,56 :1). This means that the business is not making efforts to reduce the loan. With an additional R150 000, the debt equity ratio will move to 0,72 : 1 (assuming equity remains unchanged). This will not be a wise decision unless it can be proven that the loan is contributing to a good return on total capital employed (positive gearing).

3

Q4	50	
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QUESTION 5: COST ACCOUNTING (MANUFACTURING)**(35 marks; 21 minutes)****5.1 Indicate the cost category for each item.**

5.1.1	Selling and distribution cost	✓	Abbreviations are not allowed
5.1.2	Direct labour cost	✓	
5.1.3	Administration cost	✓	
5.1.4	Factory overhead cost	✓	
5.1.5	Direct material cost	✓	

5

5.2 5.2.1 Calculate:**a) Direct labour cost.**

$$(1\,440 \times R55) \times 3 \checkmark = 237\,600 \checkmark ; (120 \times R75) \times 3 = R27\,000 \checkmark$$

$$\begin{array}{c} 79\,200 \checkmark \\ 9\,000 \checkmark \end{array}$$

$$237\,600 \times 11\% = 26\,136 \checkmark \checkmark$$

$$\text{Total Direct Labour cost} = 237\,600 + 27\,000 + 26\,136 = 290\,736 \checkmark$$

(3 marks) (2 marks) (2 marks)

8

b) Factory overhead cost.

$$98\,460 + 106\,560 + (106\,560 \div 2) = 258\,300$$

$$\begin{array}{c} \checkmark \\ \checkmark \\ \checkmark \quad \checkmark \end{array} \quad \begin{array}{c} 53\,280 \text{ (2 marks)} \\ \checkmark \end{array} \quad \checkmark$$

5

5.2.2

**GENERAL LEDGER OF CLASSIC MANUFACTURERS
WORK IN PROCESS STOCK (B7)**

2013 May	1	Balance (c/d)	58 450 ✓	2014 Apr	30	Finished good stock account ✓	857 380 ☑
2014 Apr	30	Direct material cost ✓	312 654 ✓			Balance (b/d)	62 760 ✓
		Direct labour cost ✓	290 736 ☑				
		Factory overhead cost ✓	258 300 ☑				
			920 140				920 140
2014 May	1	Balance (b/d)	62 760				

Check the transfer of totals for direct labour and factory overheads

10

FINISHED GOODS STOCK (B8)

2013 May	1	Balance (b/d)	145 500 ✓	2014 Apr	30	Cost of sales ✓	787 500 ✓✓
2014 Apr	30	Work in process stock account ✓	857 380 ☑			Balance (c/d)	215 380 ☑
			1 002 880				1 002 880
2014 May	1	Balance (b/d)	215 380				

Check the transfer of the work in process total from above.

7

Q5	35	
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QUESTION 6: BUDGETS

(60 marks; 36 minutes)

6.1 Complete the following sentences. Write only the word(s) next to the question number in the answer book.

6.1.1	Financial planning / forecasting receipts and payments / assessing future receipts and payments / planning financial needs / Any valid explanation with future implications ✓✓
6.1.2	Any balance sheet payment ✓✓ (capital contribution; loan received/paid; payments to creditors; receipts from debtors; purchase of assets; cash drawings etc.)
6.1.3	Any non-cash items of income or expense ✓✓ (depreciation; bad debts; discount received/allowed; cost of sales; etc.)
6.1.4	Capital budget ✓✓

8

6.2 6.2.1 Calculate

a) The cash received from debtors during November 2014.

	CREDIT SALES	WORKINGS	NOVEMBER
September	70 000	X 20% ✓	14 000 ✓
October	85 000	X 35% ✓	29 750 ✓
November	90 000	X 40% ✓ x 87,5% ✓*	31 500 ✓
*or minus R4 500 (which is 12,5% of R36 000)			75 250 <input checked="" type="checkbox"/>

8

b) Bad debts to be written off during the budget period.

	Credit sales	workings	Bad debts amount
August	60 000	60 000 x 5% in November	3 000 ✓✓
September	70 000	70 000 x 5% in December	3 500 ✓✓
Total bad debts			6 500 <input checked="" type="checkbox"/>

Mark any format or workings. Does not have to be presented as above.

5

c) Discount to be allowed during December 2014.

$$94\ 000 \times \underset{\checkmark}{(40\% \times \overset{0,05}{12,5\%})} = \underset{\checkmark}{R4\ 700}$$

3

6.2.2 CASH BUDGET FOR NOVEMBER 2014 AND DECEMBER 2014

	NOVEMBER	DECEMBER
TOTAL RECEIPTS	168 000	120 000
CASH PAYMENTS		
Cash purchases <small>94 000 x 75% x 40%</small>	27 000 ✓	28 200 ✓
Payments to creditors <small>90 000 x 75% x 60%</small>	38 250 ✓	40 500 ✓
Operating expenses	14 000 ✓	14 000 ✓
Advertising <small>90 000 x 3% and 94 000 x 4%</small>	2 700 ✓✓	3 760 ✓
Salaries	22 500 ✓✓	18 000 ✓
Equipment		2 900 ✓
TOTAL PAYMENTS <small>operation</small>	104 450 ✓	107 360 ✓
CASH SURPLUS (SHORTFALL)	63 550 ✓	12 640 ✓
BANK (Opening balance)	(40 000) ✓	23 550 ✓
BANK (Closing balance) <small>operation</small>	23 550 ✓	36 190 ✓

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6.2.3

ITEM	ADVICE/RECOMMENDATION
	One valid advice for each item.
Rent income	Budget more realistically; make use of debit orders/direct deposits; send reminders before due dates; ✓✓
Advertising	Make more effective use of advertising – it will improve sales; reduce the budget if not needed; Try different ways of advertising such as pamphlets, flyers etc. ✓✓
Maintenance	Budget more realistically; Ensure that maintenance is not neglected; Effective production depends on well functioning machines; Will improve the lifespan of equipment; ✓✓

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6.3 Problem solving:

	PROBLEM IDENTIFIED (with figures) Identifying problem ✓✓ Quoting figures ✓✓	ADVICE OR SOLUTION One valid point ✓✓
SHOP A	High stock (300 opening and 200 closing) They still received 400 units although they had stock on hand, Units missing (closing stock should be 280 units if only 420 sold. (80)	Monitor sales and stock accordingly. Stock control should be done daily. Control where stock is displayed. Could be within reach of children.
SHOP B	Juice cash deposited is short by R500. Chips too much unsold stock compared to opening balance (150 opening and 330 closing)	Do daily reconciliations with managers. (till control) Monitor sales to order appropriately.

6

Q6	60	
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GRAND TOTAL: 300