



Province of the
EASTERN CAPE
EDUCATION

**NATIONAL
SENIOR CERTIFICATE**

GRADE 11

NOVEMBER 2014

ACCOUNTING

MARKS: 300

TIME: 3 hours



This question paper consists of 16 pages.

INSTRUCTIONS AND INFORMATION

1. This question paper comprises SIX compulsory questions.
2. Answer ALL the questions in the answer book provided.
3. Where applicable, workings must be shown in order to achieve part-marks.
4. Non-programmable calculators may be used.
5. You may use a dark pencil or black/blue ink to answer the questions.
6. A breakdown of the questions is provided below. You must attempt to comply with the suggested time allocation for each question. To exercise good time management, try NOT to deviate from it.

QUESTION	TOPIC	SECTION / CONTENT	MARKS	TIME (minutes)
1	Reconciliations and Fixed Assets	<i>Financial Accounting</i> <ul style="list-style-type: none"> • Analyse bank reconciliation information • Creditors reconciliation <i>Managing Resources</i> <ul style="list-style-type: none"> • Calculations and Asset disposal 	50	30
2	Non-profit organisations (Clubs)	<i>Financial Accounting</i> <ul style="list-style-type: none"> • General ledger accounts for membership fees and stock account. • Internal controls 	45	27
3	Financial statements	<i>Managerial Accounting</i> <ul style="list-style-type: none"> • Income statement with adjustments • Notes to balance sheet 	60	36
4	Partnerships and interpretation	<i>Financial Accounting</i> <ul style="list-style-type: none"> • Note to balance sheet • Calculation of ratios • Interpretation and comments 	50	30
5	Cost accounting (Manufacturing)	<i>Managerial Accounting</i> <ul style="list-style-type: none"> • Concepts. • General ledger accounts 	35	21
6	Budgeting and Problem solving	<i>Managerial Accounting</i> <ul style="list-style-type: none"> • Cash budget preparation. • Interpretation of budget information. • Problem solving – stock management. 	60	36
			300	180

QUESTION 1: RECONCILIATION AND FIXED ASSETS

(50 marks; 30 minutes)

1.1 BANK RECONCILIATION

The information provided, was taken from the records of Smart Outfitters on 31 August 2014.

REQUIRED:

Analyse each transaction by completing the columns in the table provided. (15)

Example: The bank statement showed interest on overdraft of R85,00.

NO.	JOURNALS AND BANK ACCOUNT			BANK STATEMENT		NO ENTRY (Tick)
	CONTRA ACCOUNT – DETAILS	AMOUNT DEBITED	AMOUNT CREDITED	AMOUNT DEBITED	AMOUNT CREDITED	
E.g.	<i>Interest on overdraft</i>		<i>R85,00</i>			

TRANSACTIONS:

- A. A deposit of R4 500 made on 30 August 2014 was in the cash journals but did not appear on the bank statement.
- B. Interest of R120 earned on the credit bank balance was not recorded by the business.
- C. A stop-order payment of R5 500 for the monthly repayment on the loan from Maxi Bank must still be recorded by the business.
- D. Cheque No. 221, for R1 480 (a post-dated cheque) issued to a creditor in part-payment of account appeared in the cash journal.
- E. Cheque No. 243 for R175 appeared on the bank statement. This cheque was issued to Oxford Tennis Club for the owner's membership fees. It was incorrectly entered as R157 in the cash journal.
- F. A cheque for R680 was received from M. Madhan (a debtor), dated 30 September 2014. This will be deposited on the due date.
- G. A cheque for R570 issued to the local newspaper for an advertisement was lost. This cheque will be replaced with a new cheque for the same amount in September 2014.
- H. Cheque No. 209 for R880 from the previous reconciliation statement issued to Telkom for the monthly telephone account appeared in the August 2014 bank statement.
- I. A salary cheque of the clerk on leave was not cashed at the bank. The gross salary of the clerk was R5 680. Total deductions for the month amounted to R2 270.

1.2 CREDITORS RECONCILIATION

A statement received from Trodat Traders, on 26 September 2014, reflects that Pretty Boutique owes them **R16 091**. According to Pretty Boutique, the amount due to Trodat Traders is only **R10 991**.

REQUIRED:

Complete the table to show the differences that were discovered when comparing the Creditors Ledger account to the statement received.

Write the amounts only in the appropriate column/s. Indicate the increase or decrease by writing a (+) or (-) or (Dr) or (Cr) next to each amount.

Calculate the correct balance at the end of the month. (15)

INFORMATION:

- A. Pretty Boutique entered a discount of R300 when a payment of R3 000 was made during August 2014. Trodat Traders however, did not allow this discount stating that this cheque was received by them very late.
- B. An invoice received from Trodat Traders for R6 280 was correctly recorded in the books of Pretty Boutique. It was incorrectly reflected as R6 820 on the statement.
- C. Goods returned to Trodat Traders for R890 was recorded as R960 on the statement. Pretty Boutique miscalculated the cost of goods returned.
- D. An invoice for R2 000 received from Trodat Traders was incorrectly recorded as a debit note in the Creditors Ledger of Pretty Boutique.
- E. A cheque for R5 000 issued on 29 September 2014 to Trodat Traders appeared only in the Creditors Ledger account.
- F. Goods were purchased for R4 670 on 30 September 2014 after the statement received from Trodat Traders was closed off.

1.3 FIXED ASSETS

The information presented was taken from the records of East-End Stores. The financial year of the business ends on 28/29 February each year.

REQUIRED:

- 1.3.1 Calculate the missing amounts denoted by **A** to **C** on the Accumulated Depreciation on Equipment account given. (11)
- 1.3.2 Prepare the Asset disposal account in the General Ledger. (7)
- 1.3.3 Provide a suitable reason for the equipment being disposed (sold). (2)

INFORMATION:

- A. Extracted from the General Ledger of East-End Stores.

GENERAL LEDGER OF EAST-END STORES EQUIPMENT (B8)

2012 Mar	1	Bank	140 000	2013 Feb	28	Balance	190 000
Sep	01	Creditors Control	50 000				
			190 000				190 000
2013 Mar	1	Balance	190 000	2013 Sept	01	Asset disposal	50 000
Dec	01	Bank	80 000			Balance	220 000
			270 000				270 000
2014 Mar	1	Balance	220 000				

ACCUMULATED DEPRECIATION ON EQUIPMENT (B9)

2013 Sept	01	Asset disposal	B	2013 Feb	28	Depreciation	33 000
				Sept 2013	1	Depreciation	A
				2014 Feb	28	Depreciation	C

LOSS ON SALE OF ASSET (N12)

2013 Sept	01	Asset Disposal	1 600				
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- B. The equipment purchased on the 1 September 2012 was sold for cash on 1 September 2013.
- C. Depreciation on equipment is provided for at 20% p.a. on cost.

QUESTION 2: SPORTS CLUBS

(45 marks; 27 minutes)

You are provided with information from the club records of Amatole Hiking Club. The financial year of the club ended on 31 December 2013.

REQUIRED:

- 2.1 Complete the following accounts in the General Ledger of Amatole Hiking Club. Balance or close off the accounts on 31 December 2013.
- 2.1.1 Creditors Control (Outdoor Manufacturers). (7)
- 2.1.2 Hiking bags account. (Note that the club uses the perpetual inventory method to record the stock of bags.) (12)
- 2.1.3 Membership fees account. (16)
- 2.2 The new members were unhappy about the fees they had to pay for the year.
- 2.2.1 Give a possible reason why they feel this way. (2)
- 2.2.2 Provide a suggestion to the committee to address this matter. (2)
- 2.3 The chairperson is concerned with the manner in which the treasurer is managing the collection of fees.
- 2.3.1 Why do you think she feels this way?
(Quote relevant figures to support your answer) (2)
- 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. (4)

INFORMATION:**A. Extract from the post-closing trial balance on 31 December 2012.**

	DEBITS	CREDITS
Stock of hiking bags at R250 each	6 000	
Creditors (Outdoor Manufacturers)		750
Accrued income: membership fees	5 400	
Income received in advance: membership fees		1 500

B. Extract from the cash journals for the year ended 31 December 2013.

Hiking bags purchased for cash at R250 each	15 000
Payments to Outback Manufacturers (Creditor)	7 250
Hiking bags sales	28 910
Membership fees collected:	60 300
• 2012 membership fees received	3 600
• 2013 membership fees received	54 000
• Membership fees received for 2014	2 700

C. Hiking bags:

- Hiking bags are sold to members at a profit mark-up of 18%.
- All sales are for cash only.
- All bags are purchased from Outdoor Manufacturers (cash and credit). The club was fortunate to get the bags at the same price since 2011. An amount of R2 750 is still due to Outdoor Manufacturers for hiking bags bought on credit.
- Twelve (12) hiking bags were returned to Outdoor Manufacturers due to minor defects. A credit note for the full amount was received.
- Six (6) hiking bags were used as prizes in a club fund raising raffle.
- There were some unsold bags in stock at the end of the financial year.

D. Membership fees:

- Membership fees amount to R300 per member per year.
- On 31 December 2012, there were 190 members registered with the club.
- Membership fees still due for 2012 must be written off and the membership of the people concerned must be terminated on 1 January 2013.
- On 6 April 2013, 14 new members joined the club. They paid their entrance fees and membership fees in full.
- On 31 July 2013, 8 new members joined the club. They also met their financial obligations.
- The secretary requested that part of his honorarium of R500 be retained by the club to cover his membership fees. This request was granted.
- Some members did not pay their fees for 2013.

QUESTION 3: INCOME STATEMENT AND NOTE TO BALANCE SHEET

(60 marks; 36 minutes)

You are presented with information from the books of Queen Stores for the financial year ended 30 June 2014.

REQUIRED:

- 3.1 Prepare the **Income Statement** for the year ended 30 June 2014. Show all workings to earn part marks. (52)
- 3.2 Prepare the **Trade and Other Receivables** note to the balance sheet. (8)

INFORMATION:

- A. **Balances and totals extracted from the Pre-Adjustment Trial Balance on 30 June 2014.**

Fixed deposit: Mandi Bank (9% p.a.)	60 000
Loan (Flow Bank)	171 000
Trading stock	50 555
Debtors control	36 420
Provision for bad debts	2 195
Sales	930 000
Cost of sales	620 000
Debtors allowances	3 350
Fee income	32 550
Salaries and wages	56 400
Consumable stores	12 820
Stationery	5 440
Rent income	35 600
Interest on fixed deposit	4 725
Discount allowed	1 240
Discount received	2 565
Advertising	2 260
Bank charges	5 440
Insurance	8 800
Bad debts	2 100
Sundry expenses	18 000

2. Adjustments and additional information:

- a) An allowance of R240 granted to a debtor, A. Abdool, for damaged goods sold to him, must still be recorded.
- b) The following invoice issued to debtor B. Xhali, was not yet recorded: All goods are sold at a profit mark-up of 60% on cost.

QUEEN STORES		CREDIT SALES INVOICE		No 122
To: <i>B. Xhali</i>			Date: 28 June 2014	
Terms: 30 days less 5%				
QUANTITY	DESCRIPTION	UNIT PRICE	TOTAL	
4 pairs	Ladies shoes	R330,00	1 320,00	
2 cans	Shoe polish	R40,00	80,00	
			1 400,00	
	Shoe repairs		120,00	
			1 520,00	
E&OE				

- c) The provision for bad debts must be adjusted to 5% of the debtors control balance (after taking into account the above).
- d) According to a physical stock take on 30 June 2014, the stock on hand balances were as follows:
 - Trading stock, R45 650
 - Consumable stores, R720.
- e) Advertisement expense includes R735 for a three month contract with the *Daily Dispatch* which commenced on 1 June 2014.
- f) The following information appeared on the June bank statement: (these must still be taken into account).
 - Bank charges, R350
 - Interest debited, R220
 - Direct deposit for the June 2014 rent from M. Moses. The rent was increased by R200 per month from 1 April 2014.
 - Insurance payment of R1 250. 20% of this amount is for the owner's private vehicle.
- g) Interest on the mortgage loan is capitalised. The loan statement received from Flow Bank gave the following summary:

Balance on 1 July 2013	300 000
Total repayments (including interest)	129 000
Balance on 30 June 2014.	198 450

- h) R30 000 of the fixed deposit matured on 31 January 2014. This was received and used to extend a storeroom. Take into account the outstanding interest on fixed deposit.

QUESTION 4: PARTNERSHIPS AND RATIO ANALYSIS

(50 marks; 30 minutes)

The information provided relates to ST Traders. The business is a partnership owned by Sam and Tom Tibs. The financial year ended on 28 February 2014.

REQUIRED:

- 4.1 Complete the **Current account note** to the Balance Sheet.
(Refer to point 2) (21)
- 4.2 Calculate the following financial ratios/indicators:
- 4.2.1 Debt/equity ratio. (5)
- 4.2.2 Acid test ratio. (5)
- 4.2.3 Percentage return on investment earned by Sam. (6)
- 4.3 Should Sam be satisfied with his return on investment?
Explain and quote relevant figures or financial indicators to support your answer. (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. (3)
- 4.5 Comment on the liquidity position of the business. Quote TWO relevant financial indicators (with figures) in your response. (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. (3)

INFORMATION:**1. Extract from the Trial Balance on 28 February 2014**

Capital: Sam	750 000
Capital: Tom	500 000
Current Account: Sam (1 March 2013)	6 750
Current Account: Tom (1 March 2013)	9 800 (Dr)
Drawings: Sam	?
Drawings: Tom	?
Loan: Drago Bank	820 000
Bank (Cr)	7 750 (Cr)
Cash float	1 300
Inventories (Trading Stock)	28 620
Trade and other receivables	37 500
Trade and other payables	32 300
Sales	1 120 000
Profit and loss (Net profit for the year)	?

2. Partners' earnings and drawings:

- Sam earns a salary of R102 000 per year. Tom earns 5% more than Sam.
- Interest on capital is calculated at 8% pa. Tom's interest amounts to R40 000. Note that Sam increased his capital by R25 000 on 1 December 2013. This was recorded accordingly.
- Tom is entitled to a production bonus equal to 1,5% of turnover.
- The remaining profit or loss is shared between Sam and Tom in the ratio 3 : 2 respectively. The remaining profit earned by Tom was R7 500 after all adjustments were done.
- Tom also withdrew 60% of his total earnings for this financial year.
- Sam ended with a credit balance of R32 550 on his current account.

3. The following financial indicators were calculated:

	28 FEBRUARY 2014	28 FEBRUARY 2013
Operating profit on sales	36,6%	34%
Percentage net profit on sales	30,6%	33%
Current ratio	1,7 : 1	1,98 : 1
Acid test ratio	?	1,1 : 1
Stock turnover rate	14,6 times	15 times
Debt/equity ratio	?	0,56 : 1
Return on partners' equity	26,8%	27,2%

QUESTION 5: COST ACCOUNTING (MANUFACTURING)

(35 marks; 21 minutes)

5.1 Indicate the cost category for each item listed below.

5.1.1 Advertising

5.1.2 Production wages

5.1.3 Office telephone expense

5.1.4 Depreciation on factory machinery

5.1.5 Raw material used in production. (5)

5.2 The following information was extracted from the books of Classic Manufacturers. The financial year ended on 30 April 2014.**REQUIRED:**

5.2.1 Calculate:

a) Direct labour cost. (8)

b) Factory overhead cost. (5)

5.2.2 Prepare the following accounts in the General Ledger. Close the accounts off properly at the end of the financial year.

a) Work in process stock account. (10)

b) Finished goods stock account. (7)

INFORMATION:

1. Stock Balances:	30 APRIL 2014	1 MAY 2013
Raw materials	?	23 430
Work-in-process	62 760	58 450
Finished goods stock	?	145 500

2. Raw material used in production, R312 654.

3. Salaries and wages:
The employees register is as follows:

	NUMBER	BASIC SALARY/WAGE		TOTAL COST	OVERTIME	
		NORMAL TIME (HOURS)	RATE (per hour)		HOURS WORKED (per worker)	RATE (per hour)
Employees in production	3	1 440	R55	?	120	R75
Factory foreman	1	R8 000 per month		R106 560	-	
Cleaners	2	R4 000 per month		R106 560	-	

- Pension Fund of 8% and UIF of 1% are deducted from the basic salaries/wages of all employees.
 - The employer contributes 10% to the Pension Fund and 1% to the UIF on behalf of all employees.
 - All employee benefits (deductions) must be allocated to the relevant cost accounts of the specific employees.
 - One of the cleaners work in the factory.
4. Total factory overhead costs amounted to R98 460. This does not include any factory salaries and wages.
5. Total sales for the year was R1 260 000. The profit mark-up on cost is 60%.

QUESTION 6: BUDGETS

(60 marks; 36 minutes)

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

6.1.1 The main purpose of preparing a budget is ...

6.1.2 ... is an example of an item that will appear in a cash budget and not in a projected income statement.

6.1.3 ... is an example of an item that will appear in a projected income statement but not in a cash budget.

6.1.4 The purchase of a motor vehicle is an item which will appear in a/an ... budget. (8)

6.2 **CASH BUDGET**

You are provided with information relating to Sharp Traders, a sole trader. The financial year ends on 31 October each year.

REQUIRED:

6.2.1 Calculate:

- a) The cash received from debtors during November 2014. (8)
- b) Bad debts to be written off during the budget period. (5)
- c) Discount to be allowed during December 2014. (3)

Show workings to earn part marks.

6.2.2 Complete the cash budget for November and December 2014. (24)

6.2.3 The owner compared the actual amounts spent to the budgeted amounts and found the following differences:

- The rent he budgeted to receive was far more than the actual amount collected from the tenant.
- He over-budgeted for advertising.
- He under-budgeted for maintenance of vehicles and equipment.

What advice would you offer him?

Provide ONE recommendation for each of the items above. (6)

INFORMATION:1. **Balances on 1 November 2014.**

Bank overdraft	40 000
Accrued expenses (salaries)	4 500

2. **Information extracted from the Income Statement on 31 October 2014 (the end of the previous financial year).****Operating expenses:**

• Salaries	216 000
• Advertising	21 500
• Discount allowed	11 900
• Bad debts	12 000
• Other operating expenses	168 000

3. **Partially completed cash budget for 1 November 2014 to 31 December 2014.**

	NOVEMBER	DECEMBER
TOTAL RECEIPTS	168 000	120 000
CASH PAYMENTS		
Cash purchases	27 000	?
Payments to creditors	38 250	?
Other operating expenses	14 000	14 000

4. **Total monthly sales for 2014: All sales are on credit**

ACTUAL			BUDGETED	
AUGUST	SEPTEMBER	OCTOBER	NOVEMBER	DECEMBER
60 000	70 000	85 000	90 000	94 000

5. Cost of sales is equal to 75% of total sales.
6. The money due by debtors for the above sales are collected as follows:
 - 40% in the month of sales (12½% settlement discount allowed).
 - 35% in the month following the sales.
 - 20% in the second month following the sales.
 The balance is written off as bad debts in the third month.
7. 40% of purchases are paid for by cheque. Creditors are paid in the month following the purchases. Trading stock is maintained through monthly purchases.
8. Advertising costs are based on projected monthly sales and are paid in the same month. This is expected to increase in December from 3% to 4%.
9. The business employs 4 workers who are paid R4 500 each per month. The salary due for October 2014 will be paid in November 2014.
10. New equipment for R17 400 will be bought on credit during November 2014. This will be paid in 6 equal instalments starting on 20 December 2014.

11. Other cash operating expenses will amount to R14 000 per month.

6.3 PROBLEM SOLVING: MANAGEMENT OF STOCK

Baker is the owner of two school tuck shops. Betty is the manager of Shop A and Benny is the manager of Shop B.

Each manager is paid R1 000 per week.

Each tuck shop sells only chips and juices. The chips cost R5,00 per packet and are sold at a profit mark-up of 50% on cost. The juice is marked up by 25% on cost and is sold at R10,00 each.

REQUIRED:

Identify ONE problem in each tuck shop, and provide ONE solution or advice in each case. For each problem, relevant figures must be quoted. (6)

INFORMATION:

For October 2014	SHOP A		SHOP B	
	CHIPS	JUICE	CHIPS	JUICE
Opening stock (units)	300	200	150	90
Stock supplied by Baker (units)	400	400	400	400
Closing stock (units)	200	150	330	120
Units sold	420	450	220	370
Cash deposited (Rands)	R3 150	R4 500	R1 650	R3 200

60

GRAND TOTAL: 300