



GAUTENG PROVINCE

EDUCATION
REPUBLIC OF SOUTH AFRICA

**GAUTENG DEPARTMENT OF EDUCATION
PROVINCIAL EXAMINATION
NOVEMBER 2016
GRADE 11**

ACCOUNTING

**MARKS: 300
TIME: 3 hours**

17 pages



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GAUTENG DEPARTMENT OF EDUCATION
PROVINCIAL EXAMINATION**ACCOUNTING****MARKS: 300****TIME: 3 hours****INSTRUCTIONS**

1. Answer all the questions in the ANSWER BOOK provided.
2. Show all workings in order for part marks to be allocated.
3. Read the instructions carefully and follow them precisely.
4. Non-programmable calculators may be used.
5. All answers must be written in blue or black ink.
6. Mark allocation:

QUESTION	MARKS	TIME IN MINUTES
1	50	30
2	45	27
3	35	20
4	40	23
5	80	50
6	50	30
TOTAL	300	180

QUESTION 1

[50 MARKS; 30 MINUTES]

1.1 CONCEPTS

Consider the descriptions A to E and choose the relevant item from the table below to match the description.

[5]

Stop payment	Stop order	Bank overdraft
Current liability	Interest on overdraft	Cash and cash equivalents
Interest on current account		

- A Debit balance as per bank statement
- B Instruction to the bank to make regular payments for a specified period
- C Debit balance as per bank account
- D Current portion of the loan
- E Interest on debit balances

1.2 BANK RECONCILIATION

The information presented was extracted from the books of Bridal Boutique Stores. Their financial year ends on 31 August 2016.

REQUIRED

- 1.2.1 All entries to be recorded in the cash journals must be shown directly in the Bank account. Balance the account properly on 31 August 2016.
Note: Correct names of contra accounts must be shown. [25]
- 1.2.2 Prepare the Bank Reconciliation Statement on 31 August 2016. [10]
- 1.2.3 Briefly explain the purpose of preparing a bank reconciliation statement. [02]
- 1.2.4 The creditors' control account showed a balance of R57 680 on 31 August 2016, before bank reconciliation. Determine the amount that would be reflected in the financial statements in respect of Creditors' Control on 31 August 2016. [04]
- 1.2.5 List TWO concerns regarding the internal control of cash in this business. [04]

INFORMATION

- 1 The Bank Reconciliation Statement on 31 July 2016 was prepared by an inexperienced bookkeeper

Credit balance as per bank statement	R 13 400
Outstanding deposit [25 July 2016]	14 600
Outstanding deposit [29 July 2016]	23 500
Cheques not presented for payment	
No. 599 [dated 15 January 2016]	2 000
No. 718	5 400
No. 722 [dated 20 October 2016]	1 000
No. 739	600
No. 746	1 800
Debit amount incorrectly credited	400
? balance as per Bank account	?

- 2 Provisional totals from the bank columns of cash journals on 31 August 2016:
- Cash Receipts Journal R29 120
 - Cash Payments Journal R21 480
- 3 On comparing the Bank Reconciliation Statement for July 2016 with the Bank statement for August 2016 it was noted that:
- The errors had been corrected.
 - The outstanding deposit of R14 600 appeared on the bank statement on 5 August 2016.
 - The deposit of R23 500 does not appear on the August 2016 bank statement.
 - Cheque number 718 and 746 had been presented for payment.
 - Cheque number 599 was issued to Thokan Ltd, a creditor.
- 4 On comparing the Bank Statement for August 2016 with the Cash Journals for August 2016 the following differences were noted:
- A deposit of R 17 400 made on 31 August 2016 did not appear on the bank statement.
 - The following cheques had not been presented for payment:

No. 754	R3 000
No. 757	R5 200
No. 761	R6 000
No. 763	R1 200 [dated 10 September 2016]
- 5 Cheque number 739 was issued to Kenny Motors for repairs to the vehicle. The cheque was misplaced by the payee and must be cancelled. Cheque number 764 was issued on 31 August 2016. Kenny Motors picked up the cheque on 1 September 2016.
- 6 The cheque of a debtor, B. Jane was returned unpaid by the bank. The cheque of R1 500 was received in settlement of his account of R1 600.

- 7 A cheque for R7 200 dated 5 September 2016 was received from Tito Traders, a debtor.
- 8 An amount of R1 800 had been debited by the bank for a debit order in favour of Wiz Bank in payment for the owner's personal vehicle.
- 9 The accountant had made the following errors in the Cash Journals:
- Cheque no. 721 for stationery had been overstated by R500.
 - A deposit received from the owner as additional capital was recorded incorrectly as R2 000 instead of R 20 000.
- 10 The following items appeared on the Bank Statement but not in the Cash Journals:
- Service fees R248; Cash handling fees R380; Interest on overdraft R520.
 - The monthly debit order for insurance to Sibuya Insurers, R4 000.
 - Rent was directly deposited into our Bank account by the tenant, N. Mayet, R6 800.
- 11 Calculate the balance as per bank statement from Wiz Bank on 31 August 2016.

QUESTION 2

[45 MARKS; 27 MINUTES]

ASSET DISPOSAL

The information provided was extracted from the financial records of Star Traders. Their financial year ends on 29 February 2016.

REQUIRED

- 2.1 Explain the purpose of a fixed assets register. State TWO points. [04]
- 2.2 Calculate the accumulated depreciation and carrying value for the disposal of the printer. [08]
- 2.3 Calculate depreciation on equipment on 29 February 2016. [07]
- 2.4 Prepare the following ledger accounts:
- Accumulated depreciation on equipment [06]
 - Asset Disposal [06]
- 2.5 Complete the tangible assets note on 29 February 2016. [14]

INFORMATION

A Incomplete Fixed Assets Note

	Land and Buildings	Vehicles	Equipment
Cost	2 400 000		900 000
Accumulated depreciation		(960 000)	(370 000)
Carrying value	2 400 000	640 000	
Movements			
Additions			100 000
Disposals			
Depreciation			
Carrying value			
Cost	1 700 000		950 000
Accumulated depreciation			

B Fixed Assets Vehicles

A delivery vehicle costing R500 000 was bought on 1 December 2015. The business has had all the old vehicles for five years, including this financial year. No vehicles were sold during the year.

Vehicles are depreciated at 15% p.a. on cost and this rate has been maintained over the years.

Equipment

A printer bought on 1 June 2012 for R50 000, was sold for cash on 31 August 2015 at carrying value. A new printer was bought for R100 000 on 1 September 2016. Depreciation on equipment is written off at 20% per annum on the diminishing balance method.

QUESTION 3

[35 MARKS; 20 MINUTES]

3.1 STOCK CONCEPTS

In each of the following sentences replace only **one word** to correct the sentence. Write down **ONLY** the correct word. Do not re-write the whole sentence. [05]

- A Trading Stock is a non-current asset.
- B The continuous inventory system uses closing stock to calculate cost of sales.
- C Regular stock purchase is an internal control process to detect stock shortages.
- D Theft of stock will result in a decrease in gross profit when the continuous inventory system is in use.
- E Theft of stock will result in a decrease in cost of sales when the periodic inventory system is in use.

3.2 INVENTORY SYSTEMS

The information provided below was drawn from the books of Fatima Traders. The owner maintained an average mark-up of **40 % on cost** over the last few years. The owner aimed to increase the stock turnover rate for the year ending 29 February 2016.

REQUIRED

- 3.2.1 Calculate the cost of sales. [10]
- 3.2.2 Calculate the gross profit. [04]
- 3.2.3 Calculate the stock turnover rate for 2016. [04]
- 3.2.4 Comment on the drop in the mark-up percentage in relation to the stock turnover rate. Provide TWO points. [04]
- 3.2.5 List TWO other ways in which the profits of a business can be increased. [04]
- 3.2.6 List TWO ways in which the turnover of the business can be increased. [04]

INFORMATION

A Balances on 29 February 2016

Trading stock [28 February 2015]	394 290
Purchases	2 127 870
Carriage on purchases	87 786
Sales	3 038 580

B Physical stocktaking was completed on 26 February 2016 and trading stock on hand amounted to R313 254. The following transactions were not entered in the books and must be taken into account:

- Feb. 20 Trading stock bought on credit from Dimitri Traders for R63 000
 28 Goods costing R18 400 were sold for R20 980.
 28 Trading stock [cost R4 200; selling price R5 880] was donated to the hospital before stocktaking. No entries have been made for this transaction.

C

Financial Indicators	2016	2015
Mark-up percentage	28%	40%
Stock turnover rate	?	4.5 times

QUESTION 4

[40 MARKS; 23 MINUTES]

CASH BUDGETS

The following information was drawn from the accounting records of BMW Traders.

REQUIRED

- 4.1 What is the purpose of preparing a cash budget? [02]
- 4.2 Mention TWO expenses other than depreciation that will not be included under 'Payments' in the cash budget. [04]
- 4.3 Prepare the Debtors' Collection Schedule for the quarter ending 31 March 2016. [07]
- 4.4 Prepare the Cash Budget for the quarter ending 31 March 2016. [27]

INFORMATION

1 Income Statement for the year ended 31 December 2015

Turnover	R 896 000
Cost of sales	448 000
Sundry expenses	?
Fixed cash expenses	268 800
Depreciation (15% p.a. on cost)	16 000

2 From the Balance Sheet on 31 December 2015

Mortgage loan	R120 000
Fixed deposit	190 000
Trade debtors	79 200
Trade creditors	96 000
Bank	8 500
Trading stock	75 000
Equipment	208 000
Accumulated depreciation on equipment	101 000

3 TOTAL SALES			
ACTUAL SALES		SALES FORECAST	
2015		2016	
November	80 000	January	R72 000
December	88 000	February	68 000
		March	76 000
10% of all sales are for cash			

- 4 Debtors are allowed 60 days credit, subject to a 5% discount on payments received during the current sales month.

Average debtors' collection over the past three months is as follows:

15% of the debtors settled their accounts during the current sales month.

60% settled their accounts during the month after the current sales month.

24% settled their accounts during the second month after the current sales month.

The remaining 1% is to be written-off as bad debts in the third month after sales.

It is expected that this pattern will be maintained during the budget period.

5 Purchases and creditors

Cost of sales is equal to 50% of turnover.

Cash purchases of trading stock will amount to 20% of all purchases.

It is business policy to maintain trading stock at the December 2015 level.

Credit purchases are settled 60 days after the date of purchase.

6 The repayment on the loan is R2 000 per month.

7 Salaries and wages comprise 80% of fixed cash expenses as per the income statement for the year ended 31 December 2015. It is expected that there will be a salary and wage increase of 10% with effect from 1 February 2016. The other fixed cash expenses will remain constant over the forecast period.

8 Advertising amounts to 2% of turnover for the month of sales.

9 Sundry expenses are expected to increase by 5% from 1 March 2016. Sundry expenses for March 2016 are expected to be R8 295.

10 Old equipment has been sold for R25 400. The purchaser has agreed to pay R10 400 in January 2016 and the remainder in two equal instalments over the next two months. New equipment costing R63 000 was bought on credit and will be paid in three equal instalments commencing in March 2016.

11 A fixed deposit of R50 000 will mature in February 2016.

12 The owner will be taking twice his normal cash drawings in March 2016 as he is planning a holiday.

QUESTION 5

[80 MARKS; 50 MINUTES]

5.1 FINANCIAL STATEMENTS

E. Moi, a sole trader, is trading as Moi Traders. The financial year of the business ends on the last day of February each year.

REQUIRED

- 5.1.1 Prepare the Income Statement for the year ending 29 February 2016. [45]
- 5.1.2 Trade and other receivables [08]
- 5.1.3 Complete the Assets section of Balance Sheet. [10]

Note:

INFORMATION

1	Pre-adjustment Trial Balance on 29 February 2016		
	Balance Accounts Section	Debit	Credit
	Capital		775 694
	Fixed assets at carrying value [01 / 03 / 2015]	942 260	
	Loan: Union Bank [17% p.a.]		86 000
	Fixed Deposit: Capital Bank [9% p.a.]	50 000	
	Trading stock	51 000	
	Debtors' control	76 680	
	Provision for bad debts		4 200
	Bank	54 000	
	Cash float	2 000	
	Petty cash	800	
	Creditors' control		105 300
	Creditors for salaries		7 398
	SARS: PAYE		15 000
	Pension Fund		12 780
	Nominal Accounts Section		
	Sales		1 715 450
	Cost of sales	1 093 000	
	Debtors' allowances	106 000	
	Rent income		125 000
	Salaries	181 000	
	Wages	124 320	
	Bad debts	4 060	
	Insurance	28 200	
	Audit fees	46 000	
	Consumable stores	23 400	
	Interest on current account		2 100
	Discount allowed	6 902	
	Discount received		2 700
	Sundry expenses	62 000	
		2 851 622	2 851 622

2 Adjustments and Additional Information

- Before stocktaking took place a customer returned stock that was previously sold to him for cash for R6 000. A credit note for this amount was issued to him but this has not been recorded in the books. The mark-up is 50% on cost.
- The accounting officer is paid the same remuneration per month for the whole year. On 23 February 2016 he took goods to the value of R2 000 for his personal use. The amount was charged to the Accountant's Fees account and the balance would be paid to him during March 2016.
- Physical stocktaking of inventories on 29 February 2016 revealed the following:
 - Consumable items to the value of R23 120 was used during the year
 - Trading inventory showed a surplus of R3 250
- Received a cheque for R4 620 from the insolvent estate of a debtor. His estate paid a first and final dividend of R0,30 in the Rand. No entries have been made.
- The provision for bad debts must be adjusted to R3 900.
- An employee resigned from the business on 31 January 2016. However, his salary for February 2016 was inadvertently processed but he has not been paid. Details of his salary are as follows:

Deductions			Nett Salary
PAYE	Pension fund	UIF	
2 800	890	112	7 398

The business contributes as follows:

- On a rand for rand basis to the pension fund
- 1% towards the UIF of the gross salary

Note:

All contributions by the business are debited to the salaries account.

- An insurance contract for R9 600 was taken out for the period 1 September 2015 to 31 August 2016.
- Depreciation of R44 230 on tangible assets must be provided for, for the year.

- The loan statement from Value Bank reflected the following information:

Balance on 1 March 2015	R110 000
Balance on 29 February 2016	R100 550

Note:

- Interest on loan is capitalized.
 - The business made regular monthly payments of R2 000 towards the loan account each month.
 - The loan will be reduced by R15 000 in the next financial year.
- The fixed deposit statement from Capital Bank reflected a closing balance of R56 340 on 29 February 2016. Interest was capitalized.
- Rent was received for one month in advance. Rent was increased by R500 per month with effect from 1 January 2016.
- Eyespec, a company that manufactures sunglasses, acknowledged that Moi Traders had sold the largest number of Amla Brand sunglasses during the current financial year and was awarded a commission of R20 000. The cheque would be received at a special function to be held on 15 March 2016.

5.2 RATIO ANALYSIS

Use the information taken from the books of Global Ltd. to answer the following questions.

REQUIRED

- 5.2.1 Calculate the Debt : Equity ratio for 2016 and supply a suitable explanation for your finding. [03]
- 5.2.2 Calculate the Acid Test Ratio for 2016. [03]
- 5.2.3 Calculate the period for which enough stock is on hand on 29 February 2016. The closing stock on 28 February 2015 was R150 000. [05]
- 5.2.4 Comment on the liquidity of the business. Use THREE relevant financial indicators to support your answer. [06]

INFORMATION

A Extract from the Income Statement for the year ended 29 February 2016

Turnover	1 280 000
Cost of sales	650 000
Operating expenses	?
Net income	72 000

B Extract from the Balance Sheet on 29 February 2016

Owner's Equity	900 000
Non-current liabilities	600 000
Current liabilities [creditors only]	150 000
Tangible assets	960 000
Financial assets	200 000
Current assets	250 000
Inventories	125 000
Debtors	85 000
Cash	40 000

C Financial Indicators

	2016	2015
GP on turnover	49,2%	
NP on turnover	8,6%	
Solvency ratio	?	
Debt : Equity ratio	?	
Current ratio	1,67 : 1	
Acid test ratio	?	
Stock turnover rate	4.7 times	5.6 times
Period for which enough stock is on hand	?	45 days

QUESTION 6
MANUFACTURING ACCOUNTS

[50 MARKS; 30 MINUTES]

The following information was drawn from the books of Metal Manufacturers on 29 February 2016. **The business uses a mark-up of 50% on cost.**

REQUIRED

- 6.1 Prepare the following ledger accounts.
- 6.1.1 Raw Materials Stock [06]
- 6.1.2 Work-in-Process Stock [11]
- 6.1.3 Finished Goods Stock [07]
- 6.1.4 Factory Overhead Cost [12]

INFORMATION

1. Balances	29 February 2016	1 March 2015
Raw Materials Stock	132 000	129 440
Work-in-Process in Stock	93 640	?
Finished Goods Stock	68 000	36 000
Consumable Stores on Hand [Indirect Materials]	9 460	3 740

2. Summary of transactions for the year ended 29 February 2016	
Raw Materials on credit	981 440
Salaries	
Factory manager	228 000
Office staff	162 400
Wages	
Direct labour	248 360
Indirect labour	84 200
Bad debts	9 600
Water and electricity	52 400
Rent expense	180 800
Indirect materials purchased during the year	51 260
Sundry factory expenses	52 610
Sale of finished goods	2 700 000

3. ADDITIONAL INFORMATION

- Wages of R2 400 was owed to the factory cleaner on 29 February 2016.
- Raw materials are only bought on credit.
- Expenses in respect of water and electricity must be apportioned between the factory and the administration section in the ratio of 3:1 respectively.
- Rent expense must be apportioned according to floor space. The factory occupies 140 m² out of a total floor space of 200 m².

- 6.2 You are provided with information from the accounting records of Novelty Mug Manufacturers Ltd. on 31 December 2015. Their financial year ends on 31 December each year.
No stocks were on hand at the beginning or end of the financial year.

REQUIRED

- 6.2.1 Calculate the total direct labour cost. [03]
- 6.2.2 Calculate the factory overhead cost per unit. [03]
- 6.2.3 Calculate the break-even point. [04]
- 6.2.4 China Sand has been supplying the business with raw materials for the past seven years. Management has been approached by a new supplier who promises a 25% saving on raw materials cost. Mention TWO points that management should consider before changing suppliers. [04]

INFORMATION

- 1 A total of 2 000 mugs were produced during the year.
- 2 The selling price per mug is R51,20.
- 3 The costs for the 2 000 mugs were as follows:

	Total	Per Unit
Variable Costs	54 000	27,00
Raw materials cost	20 800	10,40
Direct labour cost	?	13,60
Selling and distribution cost	?	3,00
Fixed Costs	26 000	?
Factory overhead cost	16 000	?
Administration cost	10 000	?
Total Cost	80 000	40,00

TOTAL: 300

END

