



education

Department: Education

PROVINCE OF KWAZULU-NATAL

NATIONAL SENIOR CERTIFICATE

GRADE 11

ACCOUNTING MARKING MEMORANDUM JUNE 2018 COMMON TEST

MARKS : 300

MARKING PRINCIPLES:

- 1. Unless otherwise stated in the marking guideline, penalties for foreign items are applied only if the candidate is not losing marks elsewhere in the question for that item (no penalty for misplaced item). No double penalty applied.
2. Penalties for placement or poor presentation (e.g. details) are applied only if the candidate is earning marks on the figures for that item.
3. Full marks for correct answer. If answer incorrect, mark the workings provided.
4. If a pre-adjustment figure is shown as a final figure, allocate the part-mark for the working for that figure (not the method mark for the answer). Note: if figures are stipulated in memo for components of workings, these do not carry the method mark for final answer as well.
5. Unless otherwise indicated, the positive or negative effect of any figure must be considered to award the mark. If no + or - sign or bracket is provided, assume that the figure is positive.
6. Where indicated, part-marks may be awarded to differentiate between differing qualities of answers from candidates.
7. Where method marks are awarded for operation, the marker must inspect the reasonableness of the answer and at least one part must be correct before awarding the mark.
8. Operation means 'check operation'. 'One part correct' means operation and one part correct. Note: check operation must be +, -, x, /, or per memo.
9. In awarding method marks, ensure that candidates do not get full marks for any item that is incorrect at least in part. Indicate with a [x].
10. Be aware of candidates who provide valid alternatives beyond the marking guideline.
11. Codes: f = foreign item; p = placement/presentation.

This memorandum consists of 10 pages.

QUESTION 1 BANK RECONCILIATION (46 Marks, 28 Minutes)

1.1 Discuss the purpose of businesses completing a Bank Reconciliation every month. (2)

The Bank Reconciliation process should be completed each month to ensure that the businesses bank account agrees with the balance of the bank statement that is received from the bank. ✓✓

Table with 2 columns: Question ID, Answer. 1.2.1 True ✓✓, 1.2.2 False ✓, Debited ✓, 1.2.3 True ✓✓, 1.2.4 False ✓, May 2018 ✓

1.3 Provide ONE advantage of making payment using internet banking. (2)

Valid explanation ✓✓ part-mark for unclear / incomplete answer
• Quick, easy and safe
• Can be done at any time, therefore outside of business hours
• No handling of cash / cheques
• Fewer bank charges
• Do not need to wait for cheques to be cleared
• Saving in travelling costs

1.4 Calculate the following on 31 March 2018: (8)

1.4.1 Bank column in the Cash Receipts Journal
31 400 ✓ + 3 400 ✓ + 40 ✓ + 840 ✓ + 35 000 ✓ + 8 300 ✓ = 78 980 ✓ Operation one part correct

1.4.2 Bank column in the Cash Payments Journal (9)
54 800 ✓ + 2 700 ✓ + 840 ✓ + 2 000 ✓ + 93 ✓ + 380 ✓ + 420 ✓ = 61 233 ✓ Operation one part correct

1.4.3 Bank account balance in the General Ledger. (6)

MARK ONE LINE ONLY (DO NOT MIX LINES)
See 1.4.1 See 1.4.2 Operation one part correct
- 27 130 ✓✓ + 78 980 [x] - 61 233 [x] = - 9 383 [x] CR ✓
OR
27 130 two marks + 61 233 method mark - 78 980 method mark = 9 383 method mark CR one mark

1.5 Prepare the Bank Reconciliation Statement for March 2018. (11)

Bank Reconciliation Statement table with columns: Description, DR, CR. Includes CR Balance as per Bank Statement (17 367 ✓), CR Outstanding deposits (8 100 ✓), DR Outstanding cheques (No 167, No 176, No 178, No 180, No 181), and CR Balance as per Bank Account (9 383 operation, 34 850).

QUESTION 2 (54 Marks, 32 Minutes)

NON PROFIT ORGANISATIONS

2.1 Refreshments

2.1.1 Calculate the Cost of Sales on Refreshments (6)

$$25\ 400 \checkmark + 463\ 000 \checkmark + 295\ 600 \checkmark - 9\ 800 \checkmark - 27\ 800 \checkmark = 746\ 400 \checkmark$$

Operation one part correct

2.1.2 Calculate the percentage mark-up used by the club on the sale of their refreshments. (3)

$$\frac{223\ 920 \checkmark \times 100}{746\ 400 \checkmark} = 30\ \% \checkmark$$

See 2.1.1 Operation one part correct

2.1.3 Give TWO possible reasons why the club has chosen the above mark-up percentage on the refreshments it sells. (4)

- Valid explanation ✓ ✓ ✓ part-mark for unclear / incomplete answer
- Members will support the club if their prices are reasonable.
 - To raise additional income for the club.
 - For members to purchase drinks while involved in club activities and not to pack their own.
 - Club not open to general public but only members.

2.1.4 Calculate the rate of stock turnover, for refreshments, (in days) for the year ended 31 December 2017. (5)

$$\frac{(25\ 400 \checkmark + 27\ 800 \checkmark) / 2}{746\ 400} \times 365 \checkmark = 13\ \text{days} \checkmark$$

See 2.1.1 Operation one part correct

2.1.5 Do you feel that the above stock turnover rate on refreshments is satisfactory? Give a reason for your answer. (3)

- Yes / No ✓
- Small quantities can be purchased more often to ensure that the correct type of refreshment is in stock at all times. ✓ ✓
 - The club might not have the facilities to store refreshments in larger quantities.

2.2 Membership Fees

2.2.1 Calculate the following:

a) The number of members in the club at the end of 2017. (4)

$$240 \checkmark + 12 \checkmark - 2 \checkmark = 250 \checkmark$$

Operation one part correct

b) The amount for membership fees that would appear in the Statement of Income and Expenditure for the year ended 31 December 2017. (3)

$$250 \checkmark \times 600 \checkmark = 150\ 000 \checkmark$$

See 2.2.1 Operation one part correct

2.2.2 (26)

		Membership Fees							
2017	1	Accrued Income ✓	GJ	2 750 ✓ ✓	2017	1	Deferred Income ✓	GJ	2 400 ✓ ✓
Jan	✓				Jan	✓			
2017	31	Deferred Income ✓	GJ	3 600 ✓ ✓	2017	31	Bank ✓	GJ	148 050 ✓
Dec	✓				Dec	✓			
		Income & Expenditure ✓	GJ	150 000 Operation ✓			Honorarium ✓	GJ	600 ✓
							Accrued Income ✓	GJ	4 200 ✓ ✓
							Membership Fees Written Off ✓	GJ	1 100 ✓ ✓
							Both figures		156 350 ✓ ✓

QUESTION 3

(53 Marks, 32 Minutes)

PARTNERSHIPS – CURRENT ACCOUNT AND INTERPRETATION

3.1

	A	B	C	D
3.1.1				x ✓✓
3.1.2		x ✓✓		
3.1.3				x ✓✓
3.1.4			x ✓✓	
3.1.5		x ✓✓		

(10)

3.2 Michael and Simphiwe decided to equalise their capital contributions by the 28 February 2018, the end of the financial year. Discuss TWO possible reasons for this.

(4)

Valid explanation ✓✓ ✓✓ part-mark for unclear / incomplete answer

- The partnership agreement was re-negotiated.
- One of the partners wasn't satisfied with the return that he was earning.
- Personal reasons – for example Michael wanted to play a smaller role in the business.

3.3 Complete the missing spaces labelled A to F. Show calculations so part marks can be awarded.

(14)

No.	Calculation	Amount
A	$800\,000 \times 12\% \times \frac{4}{12} = 32\,000$ ✓	84\,000 ✓
B	$650\,000 \times 12\% \times \frac{8}{12} = 52\,000$ ✓	72\,000 ✓
C	$550\,000 \times 12\% \times \frac{6}{12} = 33\,000$ ✓	27\,600 ✓✓
D	$650\,000 \times 12\% \times \frac{6}{12} = 39\,000$ ✓	18\,400 ✓✓
E	255\,600 – 253\,000	2\,600 ✓✓
F	9\,700 – 5\,900	3\,800 ✓✓

3.4. Calculate the following (to one decimal place) for the year ended 28 February 2018: (8)

3.4.1 The percentage return earned on average partners equity.

$$\frac{482\,000}{(1350\,000 + 1300\,000 + 6\,900 + 19\,200) / 2} \times \frac{100}{1} = 36\% \quad \text{Operation one part correct}$$

3.4.2 The debt equity ratio (5)

$$\frac{850\,000}{850\,000 + 1\,319\,200} = 0.6 : 1 \quad \text{See 3.4.1} \quad \text{Operation one part correct}$$

3.5 Comment on the following for the year ended 28 February 2018: (5)

3.5.1 The percentage return earned by MS Traders.

- The percentage return earned by the business had increased ✓ from 25.2% ✓ in 2017 to 36% ✓ in 2018 (by 10.8%).
- The partners should be satisfied with this return as it is more than the interest received on a fixed deposit of 6.2%. ✓ ✓

3.5.2 The business risk and gearing. (7)

- MS Traders is positively geared ✓ as the percentage return earned by the business of 36% ✓ is greater than the interest rate on loans of 10.25% ✓ (by 25.75%).
- The risk has also decreased ✓ from 0.7: 1 ✓ in 2017 to 0.6: 1 in 2018. ✓
- The risk is therefore moderate. ✓

QUESTION 4

(73 Marks, 44 Minutes)

PARTNERSHIPS – FINANCIAL STATEMENTS

4.1 Income Statement for the year ended 28 February 2018

(48)

Sales (9 472 000✓ - 70 000✓ - 1 680✓)		9 400 320✓
Cost of sales (6 715 700✓ - 1 200✓)		(6 714 500)✓
Gross profit	Operation	2 685 820
Other operating income	Operation	150 940
Bad debts recovered		3 860✓
Rent income (153 120✓ - 11 040✓✓)		142 080✓
Trading Stock Surplus		5 000✓✓
Gross income	Operation	2 836 760
Other operating expenses		(1 434 074)
Salaries and employers contribution		926 687✓
Consumable Stores (13 600✓ - 1 340✓)		12 260✓
Sundry expenses (123 400✓ - 4 000✓✓)		119 400✓
Bad debts (12 100✓ + 1 260✓✓)		13 360✓
Water and Electricity (150 330✓ + 12 600✓)		162 930✓
Provision for Bad Debts Adjustment		2 863
Loss due to Theft (18 000✓ - 16 000✓)		2 000✓
Depreciation		194 574✓
Operating profit	Operation	1 402 686
Interest income (27 000✓ + 9 300✓ + 15 075✓✓)		51 375✓
Operating profit before interest expense	Operation	1 454 061
Interest expenses		(30 030)✓
Net profit for the year	Operation	1 424 031

4.2.1

(7)

Inventories		1 519 800✓
Trading Stock (1 534 000✓ - 1 200✓ - 18 000✓ + 5 000✓)		1 340✓
Consumable Stores on Hand	Operation one part correct	1 521 140

4.2.2

(14)

Trade and Other Receivables		277 260✓
Trade debtors (280 200✓ - 1 680✓ - 1 260✓)		(13 863)✓
Less provision for bad debts (11 000✓ + 2 863✓)		263 397
Net trade debtors	Operation	31 075✓
Accrued income (16 000✓✓ + 15 075✓)		4 000✓
Deferred Expenses	Operation one part correct	298 472

4.3 Identify TWO possible reasons why the Rent Income decreased by 8% on 1 January 2018. (4)

- Valid explanation ✓✓✓✓ part-mark for unclear / incomplete answer
- The size of the property being occupied has decreased.
 - The tenant cannot afford such a high rent so it has been renegotiated.
 - The building is not well maintained so a decrease will ensure the current tenant do not relocate.

QUESTION 5

(50 Marks, 30 Minutes)

TANGIBLE ASSETS

5.1.1

(12)

Accumulated Depreciation on Equipment

2016 Dec	31	Asset Disposal✓	GJ	12 400 ✓	2016 July	1	Balance	b/d	208 600 ✓
2017 June	30	Balance	c/d	266 400 ✓	2016 Dec	31	Depreciation✓	GJ	1 400 ✓✓
				278 800	2017 June	30	Depreciation✓	GJ	68 800 ✓✓
							Both figures		278 800
					2017 July	1	Balance	b/d	266 400 ✓

5.1.2

(12)

Asset Disposal

2016 Dec	31	Equipment✓	GJ	28 000 ✓	2016 Dec	31	Accumulated Depreciation : Equipment✓ (11 000✓ + 1 400✓)	GJ	12 400 ✓ Operation
				28 000			Drawings: Gugu ✓	GJ	15 000✓
							Loss on Sale of Asset✓	GJ	600✓
							Both figures		28 000

5.2. Fixed / Tangible assets note (26)

	Land and Buildings	Vehicles	Equipment
Carrying value at the beginning of the year	878 800	136 000	507 400
Cost	878 800	300 000	716 000
Accumulated Depreciation	0	(164 000)	(208 600)
Movements	560 000	333 800	(85 800)
Additions at cost	560 000	380 000	0
Disposals at carrying value	0	0	(15 600)
Depreciation	0	(46 200)	(70 200)
Carrying value at the end of the year	1 438 800	469 800	421 600
Cost	1 438 800	680 000	688 000
Accumulated Depreciation	0	(210 200)	(266 400)

QUESTION 6 (24 Marks, 14 Minutes)

6.2. With reference to additional information number c, concerning the purchasing personal items on the businesses account, answer the following questions:

6.2.1 What disciplinary action do you feel should be taken against the guilty employee. (2)

Valid explanation ✓✓ part-mark for unclear / incomplete answer

- Ensure that he is responsible to pay the business back for these items purchased.
- Disciplinary hearing.
- A warning letter.

6.2.2 Discuss TWO internal control measures that this business can implement to ensure this situation cannot occur in the future. (4)

Valid explanations ✓✓✓ part-mark for unclear / incomplete answer

- A senior person or appointed buyer is usually responsible for placing orders.
- Division of duties – the person responsible for ordering should not have access to creditors' accounts, payments and stock movements.
- When stock arrives, it must be checked against the delivery note.
- The invoice must also be checked against the order note, and all calculations thereon must be verified.

CREDITORS RECONCILIATION

6.1. (18)

	Creditors Ledger	Statement from WS Wholesalers
Balance	25 450	28 870
a.	+2 970	✓✓
b.		-750
c.	+ 1 000	✓✓
d.		-1 960
e.		-3 860
f.		+7 120
Totals	29 420	29 420

Operation ✓

TOTAL MARKS: 300

