



education

Department:
Education
PROVINCE OF KWAZULU-NATAL

**NATIONAL
SENIOR CERTIFICATE**

GRADE 11

ACCOUNTING

JUNE 2018

EXAMINATION

MARKS: 300

TIME : 3 hours

This paper consists of 15 pages and answer book of 10 pages.

INSTRUCTIONS AND INFORMATION

Read the following instructions and be sure to follow them carefully:

1. This question paper consists of 15 pages.
2. A special **ANSWER BOOK** consisting of 9 pages is provided in which to answer all the questions.
3. Answer **ALL** the questions.
4. **Workings must be shown in brackets in order to earn part marks.**
5. Non-programmable calculators may be used.
6. You may use dark pencil or black / blue pen to answer the questions.
7. Marks will be deducted for missing details and foreign entries.
8. Use the information in the table on the next page as a guide when answering the question paper:

Question 1: 46 Marks, 28 Minutes	
The topic of this question is:	Content:
Bank Reconciliation	<ul style="list-style-type: none"> • Theory • Journal and Ledger calculation • Bank Reconciliation Statement
Question 2: 54 Marks, 32 Minutes	
The topic of this question is:	Content:
Non Profit Organisations	<ul style="list-style-type: none"> • Analysis of refreshments account • Membership Fees Account
Question 3: 53 Marks, 32 Minutes	
The topic of this question is:	Content:
Partnerships – Current Account and Interpretation	<ul style="list-style-type: none"> • Theory • Current Account Note to the Balance Sheet • Calculations • Comments
Question 4: 73 Marks, 44 Minutes	
The topic of this question is:	Content:
Partnerships – Financial Statements	<ul style="list-style-type: none"> • Income Statement • Inventories Note • Trade and other Receivables • Problem Solving
Question 5: 50 Marks, 30 Minutes	
The topic of this question is:	Content:
Tangible Assets	<ul style="list-style-type: none"> • General Ledger • Asset Disposal • Tangible Assets note to the Balance Sheet
Question 6: 24 Marks, 14 minutes	
The topic of this question is:	Content:
Creditors Reconciliation	<ul style="list-style-type: none"> • Creditors Ledger compared to Statement • Problem Solving • Internal Control

QUESTION 1**(46 Marks, 28 Minutes)****BANK RECONCILIATION**

You are provided with information taken from the accounting records of Pillay Traders for March 2018.

REQUIRED:

- 1.1 Discuss the purpose of businesses completing a Bank Reconciliation every month. (2)
- 1.2 Indicate whether each of the following statements are **TRUE** or **FALSE**. If **FALSE**, correct the underlined word / words, **where necessary**, to make the statement TRUE. (8)
- 1.2.1 An internal auditor will want to inspect the Bank Reconciliation Statement at the end of each month.
- 1.2.2 Service fees and cash deposit fees will be part of the Bank Charges which will be credited by Bank account in the General Ledger.
- 1.2.3 If a cheque is older than 6 months, it is considered to be stale and will not be cashed by the bank.
- 1.2.4 A post-dated cheque issued in May 2018, but dated July 2018, will be entered in the Cash Payments Journal in July 2018.
- 1.3 Provide **ONE** advantage of making payment using internet banking. (2)
- 1.4 Calculate the following on 31 March 2018:
- 1.4.1 Bank column in the Cash Receipts Journal (8)
- 1.4.2 Bank column in the Cash Payments Journal (9)
- 1.4.3 Bank account balance in the General Ledger. (6)
- 1.5 Prepare the Bank Reconciliation Statement for March 2018. (11)

INFORMATION:**A. Extract from the Bank Reconciliation for February 2018:**

Unfavourable Balance as per Bank Statement	22 400
Outstanding deposit	10 200
Outstanding cheques	
No 88	3 400
No 160	1 420
No 163	6 400
No 165 (dated May 2018)	3 710

B. Provisional totals for the Bank column in the Cash Journals on 31 March 2018:

Cash Receipts Journal	31 400
Cash Payments Journal	54 800

C. A comparison of the Bank Statement for March 2018, with the Bank Reconciliation Statement on for 2018 revealed the following:

- The deposit of R10 200 appears on the Bank Statement
- Cheque number 163 for R6 400 was presented to the bank for payment
- Cheque number 88 was issued on 15 September 2017 to “Feed the Hungry” as a donation. The organization has closed down and the cheque needs to be cancelled.
- Cheque number 160, appears on the Bank Statement for R4 120. The amount on the Bank Statement is correct.

D. A comparison of the March 2018 Salaries Journal with the March 2018 Bank Statement shows the following outstanding cheques:

Employee	Gross Salary	Net Salary	Cheque No
M. Mkhize	R12 400	R 9 800	178
P. Poonsamy	R14 200	R11 600	180

E. A comparison of the Cash Journals with the Bank Statement revealed the following differences:

- The following amounts appeared in the Cash Journals, but not on the Bank Statement:
 - A deposit for R8 100
 - Cheque number 176 for R8 900 (dated 15 April 2018)
- Cheque number 173 appears in the Cash Payments Journal for R3 280. The amount on the Bank Statement of R3 240 is correct.
- Cheque number 170 for R840 was lost in the post. This cheque needs to be cancelled and replaced with cheque number 181. The new cheque is still outstanding
- A stop order for the monthly loan repayment of R2 000 appears only on the Bank Statement
- A deposit of R35 000 was made directly into the businesses bank account. This was money deposit by the owner to increase his capital contribution.
- An unpaid cheque for R420. This cheque was originally received from Mrs B. Add in settlement of her account for R450.
- A direct deposit for R8 300 for rent income appeared on the Bank Statement only.
- The bank charged the business with the following:
 - R93 (Interest on overdraft)
 - R380 (Bank Charges)
- The Bank Statement reflected a favourable balance of R17 367 on 31 March 2018.

QUESTION 2**(54 Marks, 32 Minutes)****NON PROFIT ORGANISATIONS****2.1 REFRESHMENTS**

Port Shepstone Soccer Club has restaurant that operates in its club house.

REQUIRED:

Study the Refreshment account in the General Ledger for the year ended 31 December 2017, and answer the following questions:

- 2.1.1 Calculate the Cost of Sales on Refreshments (6)
- 2.1.2 Calculate the percentage mark-up used by the club on the sale of their refreshments. (3)
- 2.1.3 Give **TWO** possible reasons why the club has chosen the above mark-up percentage on the refreshments it sells. (4)
- 2.1.4 Calculate the rate of stock turnover, for refreshments, (in days) for the year ended 31 December 2017. (5)
- 2.1.5 Do you feel that the above stock turnover rate on refreshments is satisfactory? (3)
Give a reason for your answer.

INFORMATION:

**Port Shepstone Soccer Club
Nominal Section
N3 Refreshments**

2017 Jan	1	Stock of Refreshments	25 400	2017 Dec	31	Donation	9 800
2017 Dec	31	Bank	463 000			Bank (Sales)	970 320
		Creditors Control	295 600			Stock of Refreshments	27 800
		Income and Expenditure	223 920				
			1 007 920				1 007 920

2.2 MEMBERSHIP FEES

The following information was extracted from the accounting records of "Spot On" Darts Club for the year ended 31 December 2017.

REQUIRED:

2.2.1 Calculate the following:

- a) The number of members in the club at the end of 2017. (4)
- b) The amount for membership fees that would appear in the Statement of Income and Expenditure for the year ended 31 December 2017. (3)

2.2.2 Draw up the membership fees account in the General Ledger for the year ending 31 December 2017 (26)

INFORMATION:

- The club had 240 members on 1 January 2017.
- 12 new members joined the club during 2017. New club members are expected to pay full membership fees, irrespective of when they joined the club.
- Membership fees were R550 per member per year for 2016. The fees were increased by R50 per year for the 2017 year. The committee decided to leave the fees unchanged for 2018.
- At the start of the year, 5 members still owed their fees from 2016. 3 of these members paid the amounts owed during 2017. The remaining members were asked to leave the club and their fees was written off.
- 7 members still had not paid their 2017 membership fees by the 31 December 2017.
- 4 members paid their 2017 fees, (at the increased amount) in 2016, and 6 paid their 2018 fees during 2017.
- The club chairman requested that a portion of his R800 honorarium be retained by the club for his membership fees for 2017.

QUESTION 3**(53 Marks, 32 Minutes)****PARTNERSHIPS – CURRENT ACCOUNT AND INTERPRETATION**

The information given below related to MS Traders, with partners Michael and Simphiwe. The Financial year ends on 28 February each year.

REQUIRED:

- 3.1 Questions 3.1.1 to 3.1.5 are multiple choice questions. Choose the most correct answer for each of the following. Mark an "X" in the column of your choice in your answer book, as shown in the example below: (10)

	A	B	C	D
E.g.		X		

- 3.1.1 Partners can contribute the following as capital into the business.
- Money
 - Knowledge and experience
 - Fixed Assets
 - All of the above
- 3.1.2 Identify one disadvantage of a partnership as a form of ownership:
- A partnership is relatively easy to form.
 - Partners are jointly and severally liable for the debts of the business.
 - A partner can be replaced or bought out by another partner.
 - More capital can be raised.
- 3.1.3 The Salary account of a partner is closed off to the Account.
- Trading account
 - Profit and Loss Account
 - Current Account
 - Appropriation Account
- 3.1.4 When calculating the amount due to a partner for their primary distribution, the following amounts are added together:
- Salary + Interest on Capital
 - Salary + Interest on Capital + Share of Profit
 - Salary + Interest on Capital + Bonus
 - Salary + Bonus + Share of Profit
- 3.1.5 The correct order of the following steps in the Accounting Cycle are
- Post Adjustment Trial Balance, Closing Transfers, Post Closing Trial Balance, Pre-adjustment Trial Balance
 - Pre-adjustment Trial Balance, Post Adjustment Trial Balance, Closing Transfers, Post Closing Trial Balance
 - Closing Transfers, Post Closing Trial Balance, Pre-adjustment Trial Balance, Post Adjustment Trial Balance,
 - Pre-adjustment Trial Balance, Post Adjustment Trial Balance, Post Closing Trial Balance, Closing Transfers.

- 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)
- 3.3 Complete the missing spaces labelled A to F. Show calculations so part marks can be awarded. (14)
- 3.4. Calculate the following (to one decimal place) for the year ended 28 February 2018:
- 3.4.1 The percentage return earned on average partners equity. (8)
- 3.4.2 The debt equity ratio (5)
- 3.5 Comment on the following for the year ended 28 February 2018:
- 3.5.1 The percentage return earned by MS Traders. (5)
- 3.5.2 The business risk and gearing. (7)

INFORMATION:**Capital Accounts**

	Michael	Simphiwe	Total
Balance at the beginning of the year	800 000	550 000	1 350 000
Contribution of Capital during the year	0	100 000	100 000
Withdrawal of Capital during the year	(150 000)	0	(150 000)
Balance at the end of the year	650 000	650 000	1 300 000

Current Accounts

	Michael	Simphiwe	Total
Profit per Income Statement	255 600	226 400	482 000
Partners' Salaries	144 000	136 000	280 000
Interest on Capital	A	B	?
Primary distribution of profits	?	?	?
Final distribution of profits	C	D	46 000
Drawings	(253 000)	(216 700)	(469 700)
Retained Income for the year	E	9 700	?
Retained Income at the beginning of the year	12 800	(5 900)	6 900
Retained Income at the end of the year	15 400	F	?

ADDITIONAL INFORMATION:

1. Capital:
 - Michael withdrew a portion of his capital on 30 June 2017
 - Simphiwe increased his capital contribution on 31 August 2017
 - Interest on capital is paid at 12% per annum.
2. Profits and losses are shared in the ratio of 3 : 2 between Michael and Simphiwe respectively.
3. The business had a long term loan at BB Bank for R850 000, at an interest rate of 10.25%, on 28 February 2018.
4. Calculations for the year ended 28 February 2017:

The percentage return earned on average partnership equity.	25.2%
The debt equity ratio	0.7 : 1
Interest on Fixed Deposit	6.3%

QUESTION 4**(73 Marks, 44 Minutes)****PARTNERSHIPS – FINANCIAL STATEMENTS**

You are provided with information taken from the financial records of Bandile and Sons, a retail store in Pietermaritzburg. The financial year ended on 28 February 2018. A mark up of 40% is maintained at all times.

REQUIRED:

- 4.1 Complete the Income Statement for the year ended 28 February 2018. (48)
- 4.2 Prepare the following notes to the Balance Sheet
- 4.2.1 Inventories (7)
- 4.2.2 Trade and other Receivables (14)
- 4.3 Identify **TWO** possible reasons why the Rent Income decreased by 8% on 1 January 2018. (4)

INFORMATION:

Extract of from the Pre- Adjustment Trial Balance on 28 February 2018:

Balance Sheet Accounts	R
Fixed deposit (8,5% p.a.)	520 000
Trading Stock	1 534 000
Debtors Control	280 200
Provision for bad debts (1 March 2017)	11 000
Nominal Accounts	
Sales	9 472 000
Cost of sales	6 715 700
Debtors Allowances	70 000
Salaries and Wages (<i>including contributions</i>)	926 687
Consumable Stores	13 600
Sundry Expenses	123 400
Water and Electricity	150 330
Bad Debts	12 100
Rent Income	153 120
Bad Debts Recovered	3 860
Interest on Fixed Deposit	27 000
Interest on Loan	30 030
Interest on Current Account	9 300

ADJUSTMENTS AND ADDITIONAL INFORMATION:

- A. A credit note for R1 680 issued to a debtor, on 26 February 2018, was inadvertently omitted from the relevant Journal.
- B. A debtor, who owes R1 800, has been declared insolvent. His estate paid 30 cents in the Rand. This amount was received and recorded. Write off the balance.
- C. Adjust the Provision for Bad Debts to 5% of book debts.
- D. R18 000 worth of stock was stolen in a burglary during February 2018. The insurance policy has an excess of R2 000, which is payable by the business. The remainder of the insurance claim will be received in March 2018.
- E. Stock on hand as per a physical count on 28 February 2018:

Trading Stock	R1 519 800
Consumable Stores	R1 340

- F. A further R12 600 is owed for Water and Electricity.
- G. Advertising is included as part of sundry expenses account. An amount of R12 000 has been paid for the period 1 January 2018 to 31 March 2018.
- H. Rent income was received for 13 months to 31 March 2018. On 1 January 2018 the rent **decreased** by 8%.
- I. Outstanding interest on fixed deposit must be taken into account. A further fixed deposit of R60 000 was invested on 1 August 2017. This was properly recorded. Interest on fixed deposit is not capitalised.
- J. Depreciation for the year ended 28 February 2018 was R194 574.

QUESTION 5**(50 Marks, 30 Minutes)****TANGIBLE ASSETS**

Gugu and Gail own an event planning business called "GG Events". They specialise in weddings at their own venue in the KZN Midlands.

REQUIRED:

- 5.1. Complete the following accounts in the General Ledger of GG Events for the year ended 30 June 2017:
- 5.1.1 Accumulated Depreciation on Equipment (12)
- 5.1.2 Asset Disposal (12)
- 5.2. The Fixed / Tangible assets note to the Balance Sheet for the year ending 30 June 2017. (26)

INFORMATION:

The following figures were taken from the financial records on 30 June 2017:

Land and Buildings	1 438 800
Vehicles at cost	680 000
Equipment at cost	716 000
Accumulated Depreciation on Vehicles (1 July 2016)	164 000
Accumulated Depreciation on Equipment (1 July 2016)	208 600

ADDITIONAL INFORMATION:

- The current wedding chapel was extended for R560 000 during the current financial year. This was already recorded accordingly.
- Depreciation on vehicles is calculated at 20% p.a. on the diminishing-balance method. A new vehicle was purchased on 1 April 2017 for R380 000. This has been properly recorded.
- Depreciation on equipment is calculated at 10% p.a. on the cost price. Note that equipment with cost price R28 000 was taken over by Gugu, as drawings, on 31 December 2016 for personal use for R15 000. Accumulated depreciation on the disposed equipment, on 1 July 2016, was R11 000. No entries have been made.

QUESTION 6**(24 Marks, 14 Minutes)****CREDITORS RECONCILIATION**

MM Traders buys goods on credit from WS Wholesalers. The information provided below is for July 2017.

REQUIRED:

- 6.1. Reconcile the Creditors Ledger account of WS Wholesalers in the books of MM Traders with the statement received. (18)
- 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)
- 6.2.2 Discuss **TWO** internal control measures that this business can implement to ensure this situation cannot occur in the future. (4)

INFORMATION:**A. Creditors Ledger for WS Wholesales in the books of MM Traders:**

Date		Details	Debit	Credit	Balance
July	1	Balance			24 650
	5	Invoice No. 443		4 770	29 420
	10	Cheque No. 2810	15 000		14 420
		Discount	750		13 670
	12	Invoice No. 568		5 640	19 310
	18	Debit Note No. 114	980		18 330
	28	Invoice No. 667		7 120	25 450

B. Statement received from WS Wholesalers

WS Wholesalers					
Statement of Account					
Customer:			Statement date:		
MM Traders			25 July 2017		
DATE		DETAILS	DEBIT	CREDIT	BALANCE
June	28	Account rendered			29 280
	30	Invoice No. 376	3 370		32 650
July	1	Receipt No. 1144		8 000	24 650
	5	Invoice No. 443	7 740		32 390
	10	Receipt No. 1328		15 000	17 390
	12	Invoice No. 568	6 640		24 030
	18	Credit Note No. 743	980		25 010
	22	Invoice No. 772	3 860		28 870

C. ADDITIONAL INFORMATION:

When reconciling the Statement of account from WS Wholesalers with the Creditors Ledger, the bookkeeper noticed the following differences:

- Invoice No. 443 was recorded incorrectly in the creditors ledger.
- The statement did not reflect the discount for early payment on the 10th. This will be rectified on the next statement.
- It was discovered that Invoice No. 568 on the statement included goods valued at R1 000 ordered by an employee for his personal use. The employee has been proven guilty and is facing disciplinary action. The business is now responsible to pay this extra amount.
- Goods valued at R980 were returned on the 18th. It is shown as a debit entry in both the creditor's ledger account as well as the statement of account.
- Invoice No. 772 on the statement was an error made by WS Wholesalers. These goods were not purchased by MM Traders.
- The statement was printed on 25 July 2017.

TOTAL MARKS: 300