



Province of the
EASTERN CAPE
EDUCATION

**NATIONAL
SENIOR CERTIFICATE**

GRADE 11

NOVEMBER 2013

ACCOUNTING

MARKS: 300

TIME: 3 hours

This question paper consists of 18 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	Financial Accounting <ul style="list-style-type: none"> • Bank reconciliation statement • Analyses and interpretation Managing Resources <ul style="list-style-type: none"> • Internal controls 	50	30
2	Partnerships	Financial Accounting <ul style="list-style-type: none"> • Financial Statements • Analyses and interpretation Managing Resources <ul style="list-style-type: none"> • Fixed Asset Management 	100	60
3	Budgeting	Managerial Accounting <ul style="list-style-type: none"> • Cash budget – preparation and analysis Managing Resources <ul style="list-style-type: none"> • Internal controls mechanisms 	40	24
4	Non-Profit Organisations (Clubs)	Financial Accounting <ul style="list-style-type: none"> • General Ledger accounts • Receipts and payments / Income and expenses 	30	18
5	Cost Accounting	Managerial Accounting <ul style="list-style-type: none"> • Cost Concepts • Calculations – cost and breakeven • General Ledger accounts 	35	21
6	VAT and Inventory	Financial Accounting <ul style="list-style-type: none"> • VAT concepts and calculations Managing Resources <ul style="list-style-type: none"> • Ethical issues (VAT) • Inventory systems 	45	27

QUESTION 1**RECONCILIATIONS****(50 marks; 30 minutes)****1.1 Bank Reconciliation**

The information presented below was taken from the books of Blitz Traders. They relate to the cash/bank transactions for the month of March 2013.

REQUIRED:

- 1.1.1 The manager noticed that R5 000 of the outstanding deposits did not appear on the March statement. After investigating this, he discovered that this was money received for cash sales, on 12 February 2013, and was not deposited. The cashier in charge at that time, resigned. The manager decided to cancel this amount as he would not be able to recover this money.

Make the necessary entry in the appropriate journal to cancel the R5 000.

- 1.1.2 Make the additional supplementary entries to the Cash Receipts Journal and the Cash Payments Journal for March 2013. (20)
- 1.1.3 Prepare the Bank account in the General Ledger. (7)
- 1.1.4 Prepare the Bank Reconciliation Statement on 31 March 2013. (8)
- 1.1.5 Suggest TWO ways in which the internal controls of the business can be improved so that situations like the missing R5 000 can be prevented. (4)
- 1.1.6 Provide ONE advantage of making payments via the Internet. (2)

INFORMATION:a) **Bank Reconciliation Statement of Blitz Traders on 28 February 2013.**

Debit balance as per bank statement	2 220
Outstanding deposits (5 000 + 7 000)	12 000
Cheques not presented for payment:	
No. 1812 (dated 16 September 2012)* issued to B. Chop	1 500
No. 1834 (dated 27 February 2013) issued to XY Services	3 860
No. 1848 (dated 18 May 2013) issued to PE Electronics	6 660
Credit amount wrongly debited	570
Credit balance as per Bank Account	1 670

*Cheque No. 1812 was issued to the owner for his personal use. It was not used.

b) **Totals in the bank columns of the journals on 31 March 2013:**

Cash Receipts Journal	R22 250
Cash Payments Journal	R15 500

c) **Bank Statement received from Northmead Bank.**

NORTHMEAD BANK			
BANK STATEMENT OF BLITZ TRADERS			
12 Cambridge Street East London		Date: 28 March 2013 Statement No.: 221	
DETAILS	CREDITS (+) DEBITS (-)	DATE	BALANCE
<i>Balance</i>		1/3/2013	2 220 (dr)
<i>Deposit</i>	7 000 +	2/3/2013	4 780
<i>Cash handling fees</i>	35 -	4/3/2013	4 745
<i>Cheque No. 1834</i>	3 680 -	6/3/2013	1 065
<i>Cheque No. 1855</i>	2 660 -	10/3/2013	1 595 (dr)
<i>Cheque No. 1856</i>	3 920 -	15/3/2013	5 515 (dr)
<i>Correction of error</i>	570 +	15/3/2013	4 945 (dr)
<i>Deposit</i>	7 500 +	17/3/2013	2 555
<i>Stop Order – ASD Insurance</i>	620 -	18/3/2013	1 935
<i>Cheque No. 1858</i>	3 330 -	19/3/2013	1 395 (dr)
<i>Deposit – S. Jackson</i>	5 600 +	20/3/2013	4 205
<i>Cheque No. 1859</i>	2 520 -	20/3/2013	1 685
<i>Unpaid Cheque</i>	830 -	20/3/2013	855
<i>Deposit</i>	8 500 +	25/3/2013	9 355
<i>Cash deposit fees</i>	132 -	26/3/2013	9 223
<i>Service fees</i>	248 -	27/3/2013	8 975
<i>Interest on credit balance</i>	75 +	28/3/2013	9 050

- d) The stop order on 18 March 2013 is the insurance on the business vehicles.
e) The deposit on 20 March 2013 is from the tenant for the March 2013 rent.
f) The unpaid cheque was from A. Skelm, a debtor.
g) The correct amount for Cheque No. 1834, issued for general maintenance to the buildings, is the amount on the bank statement.
h) A deposit of R6 250 on 29 March 2013, in the CRJ, did not appear on the bank statement.
i) Cheques No. 1857 (for R2 320) and No. 1860 (for R?), were not presented to the bank during March 2013.

1.2 Creditors' Reconciliation

The creditor's ledger account of Canes LTD (presented below) appeared in the books of MQ Stores.

REQUIRED:

1.2.1 Prepare a Creditor's Reconciliation Statement on 31 March 2013. (9)

INFORMATION:

1. CREDITORS LEDGER OF MQ STORES
Canes LTD (CL5)

DATE		DETAILS	FOL	DEBIT	CREDIT	BALANCE
2013 Mar	1	Balance	b/d			24 760
	5	Invoice No. 321			6 950	31 710
	7	Debit Note No. 98		490		31 220
	20	Cheque No. 1123		12 000		19 220
		Discount Received		600		18 620
	25	Invoice No. 487			6 840	25 460

- 2. All the information on the above creditor's ledger account is correct.
- 3. The statement received from Canes LTD showed a balance of R27 440 owing to them on 30 March 2013.
- 4. The following differences/errors were noted on the statement:
 - 4.1 The statement had the invoice total on 5 March 2013, as R6 590.
 - 4.2 Damaged goods returned on the 7th (R490), appeared on the debit side of the statement.
 - 4.3 The discount received when payment was made on 20th was not taken into account by the Canes LTD.
 - 4.4 The 10% trade discount on goods purchased on 25th was omitted.

QUESTION 2**FINANCIAL STATEMENTS AND PARTNERSHIPS****(100 marks; 60 minutes)****2.1 Fixed Assets and Financial Statements**

The Income Statement below was prepared by the newly appointed bookkeeper. Upon inspection of the statement, it was discovered that there were many errors.

REQUIRED:

- 2.1.1 Post to the Asset Disposal account in the general ledger. (8)
- 2.1.2 Prepare the following notes to the Balance Sheet:
- Tangible Assets (Fixed Assets) (20)
 - Trade and other receivables (6)
- 2.1.3 Taking into account the additional information (as well as other errors you may discover), prepare the correct Income Statement for the year. (35)

INFORMATION:**1. Star Traders****Income Statement for the year ended 28 February 2013**

Sales	323 320
Cost of Sales	(192 000)
GROSS PROFIT	131 320
Other Income	80 030
Rent Income	71 500
Discount Received	2 420
Sale of Equipment* <i>Refer 2.1</i>	3 000
Interest on Fixed Deposit	3 110
GROSS INCOME	211 350
Operating expenses	(123 110)
Debtors' Allowances	3 320
Salaries and wages	56 000
Total employer's contributions	2 800
Stationery	5 330
Consumable Stores	7 350
Insurance	3 920
Telephone	6 410
Purchase of office equipment* <i>Refer 2.2</i>	7 600
Bank Charges	4 560
Bad Debts	1 220
Provision for Bad Debts	1 170
Interest on Overdraft	970
Sundry Expenses	22 460
NET PROFIT FOR THE YEAR	88 240

2. The following balances appeared on the Trial Balance on 28 February 2013.

Vehicles	176 500
Equipment	67 800
Accumulated Depreciation on Vehicles (1/3/2012)	79 200
Accumulated Depreciation on Equipment (1/3/2012)	22 200
Trading Stock	27 550
Debtors Control	?
Provision for Bad Debts (1 March 2012)	1 320

2.1 The "Sale of equipment" amount in the Income Statement is the cash received from an employee who purchased some old furniture that were replaced. The cost of these items was R5 500 and the carrying value was R2 125. These items were sold on 28 February 2013. No other entries were made.

2.2 The new desks and chairs were purchased on 1 December 2012. The cost of these items was included in the Income Statement. This amount is also included in the equipment balance above.

2.3 Equipment is depreciated at 15% p.a. on the diminishing balance method.

2.4 Vehicles are depreciated at 15% p.a. on cost.

3. The following adjustments were not taken into account by the inexperienced bookkeeper:

3.1 The rent for February 2013 was not yet received.

3.2 Insurance includes monthly payments up to 30 April 2013.

3.3 Physical count of stock revealed the following stock on hand:
Trading Stock, R25 640
Unused consumable stores in stock amounted to R2 150

3.4 The salary of a clerk on leave was not yet entered. Her net salary is R4 460. Her total deductions add up to R2 340. The employer's contributions were taken into account.

3.5 The telephone account for February 2013, R480, was paid on 5 March 2013.

3.6 Depreciation was not taken into account (*refer to point 2 above*).

3.7 The business makes provision for bad debts at 5% of Trade Debtors. The bookkeeper calculated 5% of the Debtors Control balance and used this amount in the Income Statement.

2.2 Partnerships and Interpretation

The information below was obtained from the financial statements of SoFine Traders. The business is owned by two partners, Yoga and Yash.

REQUIRED:

2.2.1 Calculate the missing amounts on the table provided (denoted by A to G). (10)

	YOGA	YASH	TOTAL
Partners' salaries	64 800	46 200	111 000
Interest on Capital	A	7 500	
Bonus	-	E	
Total primary distribution	B	D	C
Share in the remaining profit	F	G	14 820
Net profit for the year			154 670

2.2.2 Calculate the following financial indicators:

(a) Debt/Equity Ratio (3)

(b) Percentage return earned by Yoga. (Use the average equity) (5)

2.2.3 Yoga feels that the business is in a sound liquidity position. Explain why you think he feels this way. Quote TWO financial indicators (with figures) to motivate your answer. (6)

2.2.4 Yash is not satisfied with her percentage return on equity compared to that of Yoga's. Give ONE possible reason why she feels this way. Quote figures to motivate your response. (3)

2.2.5 The business wants to expand their operations and have discussed extending the existing building. This venture is expected to cost R200 000. By looking at the financial statements and the indicators, suggest different ways in which this project can be financed. (*Two points*) (4)

INFORMATION:

1. **Information from the Balance Sheet on 28 February 2013.**
(with comparative figures)

	FEBRUARY 2013	FEBRUARY 2012
Fixed Assets (Carrying value)	422 660	337 520
Investments (11% p.a.)	160 000	30 000
Current Assets	113 560	121 050
TOTAL ASSETS	696 220	488 570
Owners' Equity	534 580	301 510
Capital Note 1	475 000	325 000
Current Accounts Note 2	59 580	(23 490)
Non-Current Liabilities (12% p.a.)	94 840	138 640
Current Liabilities	66 800	48 420
TOTAL LIABILITIES	696 220	488 570

Note 1: Capital	YOGA	YASH
Balance on 1 March 2012	200 000	125 000
Additions / (withdrawals)	75 000	75 000
Balance on 28 February 2013	275 000	200 000

Summary of information from the Current Accounts of partners:

a. Current Account balances:	YOGA	YASH
Opening balance (1 MARCH 2012)	(24 690)	1 200
Closing balance (28 FEBRUARY 2013)	17 040	42 540

- b. **Salary allowances of partners for the year ended 28 February 2013.**

Yoga	R64 800
Yash	R46 200

- c. **Partners' drawings for the year ended 28 February 2013:**

Yoga	R47 400
Yash	R24 200

d. The Net Profit from the Income Statement	R154 670
e. The profit after deducting the total primary distribution of the partners (remaining profit for final division)	R14 820

2. **Additional Information:**

- Interest on capital is 6% p.a. on capital balances.
Yoga increased his capital on 1 May 2012 and Yash increased her capital on 28 February 2013.
- Yash (who is the sales manager) is entitled to an annual bonus.
- Profits and losses are shared in the ratio of their capital balances at the end of the year.

3. **Financial indicators for 2013 (with comparatives).**

	2013	2012
Current Ratio	1,7 : 1	2,5 : 1
Acid-Test Ratio	1,1 : 1	1,8 : 1
Debtors Collection Period	31 days	42 days
Creditors payment period	76 days	82 days
Debt/Equity ratio	?	0,45 : 1
Return on total capital employed	28%	22,4%
% return earned by Yoga	?	72,3%
% return earned by Yash	53,7%	54,4%

QUESTION 3**CASH BUDGETS****(40 marks; 24 minutes)**

You are provided with information relating to Sentry Traders, a sole proprietor.

REQUIRED:

- 3.1 Calculate the percentage of goods sold on credit during February 2013. (4)
- 3.2 Calculate the amount that the business expects to receive from debtors during March 2013. (*Debtors Collection Schedule*) (8)
- 3.3 Prepare the Cash Budget for March 2013. (20)
- 3.4 The business intends to employ two additional shop assistants in April 2013, at the same salary of the existing employees. In your opinion, is this a wise decision? Motivate your answer by making use of figures from the information. (4)
- 3.5 Compare the actual figures for February 2013 against the budgeted amounts for March 2013. (*Refer to point 14 of the information provided*)
- Advise the owner on what he could do to improve the internal controls of any TWO items on the list. You do not need to quote any figures. (4)

INFORMATION:1. **Sales figures for 2013**

MONTHS	ACTUAL		BUDGETED	
	CASH	CREDIT	CASH	CREDIT
JANUARY	18 800	75 200		
FEBRUARY	12 600	50 400		
MARCH			19 600	78 400

2. **Credit sales are generally collected as follows:**
- 50% in the month of sale (these debtors receive a 5% discount)
 - 30% after 30 days (in the month after sales)
 - 15% after 60 days (two months after sales)
 - 5% is written off as bad debts.
3. **With regard to trading stock, the following must be noted:**
- The business maintains a mark-up percentage of 40% on sales and a fixed base stock level. (stock sold in a month is replaced in that month)
 - All purchases of stock are made on credit.
 - Creditors are paid in the month after the purchase of the stock.

4. Interest on fixed deposit amounts to R4 800 per year. This is received in two equal instalments on 1 March 2013 and 1 September 2013.
5. Operating expenses amount to R18 000 per month and is paid by cheque.
6. Salaries is R24 000 per month. During March 2013, the four shop assistants will also receive their production bonuses of 80% of their monthly salary.
7. The total rent income for the previous financial year was R36 000. The rent is expected to increase by 15% on 1 March 2013.
8. The owner agreed that his drawings per month should not exceed R2 000. This must comprise R1 500 cash and R500 worth of trading stock.
9. Renovations to the office and reception area were done during December 2012. New office equipment including computers were purchased on 1 January 2013 for R96 000. These are being paid off in 12 equal monthly instalments. Depreciation on equipment amounts to R7 800 (including the new equipment).
10. Bank charges average R500 per month.
11. R2 000 per month is allocated for maintenance of buildings.
12. Mr Senta decided that, during March 2013, he will increase his capital contribution by R40 000 cash and by R17 000 worth of equipment.
13. The bank balance reflected an overdraft of R6 000 on 28 February 2013.
14. The bookkeeper supplied the following actual amounts for February 2013:

Rent Income	1 000
Drawings	3 210
Bank charges	525
Maintenance of buildings	3 780

QUESTION 4**CLUBS****(30 marks; 18 minutes)****4.1 Membership fees**

The information presented below was taken from the records of City Sports Club for the financial year ended 31 December 2012.

REQUIRED:

- 4.1.1 Calculate the total amount that is due by all members in respect of membership fees, for this financial year. (Income and expenditure amount) (7)
- 4.1.2 Prepare the Membership Fees account for the year ended 31 December 2012. (12)

INFORMATION:**1. Information from the post-closing trial balance on 31 December 2011:**

Accrued Income (Membership Fees)	480
Income Received in advance (Membership Fees)	900

2. The constitution of the club stipulates the following:

- Membership fee per member, per year is R60 (this has remained the same for the last two years.)
 - Membership fees of members who join the club during the year will be calculated pro rata on the unexpired months for that financial year. Any part of a month will be regarded as a full month.
3. There were 108 members on the club register on 31 December 2011, the last day of the previous financial year.
4. 12 new members joined on 1 June 2012.
15 new members joined on 12 September 2012.
They all paid their membership fees in full.
5. Of the outstanding fees of 2011, only four members settled their accounts. An unemployed member was allowed to offset (settle) his outstanding fees of 2011 by doing some minor repairs to the clubhouse. The balance of the amount due from last year must be written off, and the defaulting members were suspended from the club.
6. Six members paid their 2013 membership fees during this year.
7. Five members did not pay their fees for the current financial year.

4.2 Analysing Transactions:

The transactions listed below, were from the books of City Sports Club.

For each transaction, write only the amount under the appropriate headings on the table provided, as per the following example: (11)

Example: Affiliation fees of R800 were paid on 1 January 2012. R200 of that amount is for the next accounting period.

NO.	STATEMENT OF RECEIPTS AND PAYMENTS – 31 DECEMBER 2012		STATEMENT OF INCOME AND EXPENDITURE – 31 DECEMBER 2012	
	RECEIPTS	PAYMENTS	INCOME	EXPENDITURE
E.g.		800		600

TRANSACTIONS:

1. The wages column in the Cash Journal showed R9 900. R6 000 was in respect of labour cost for the construction of an extra room to the clubhouse.
2. Entrance fees received amounted to R3 000. Club policy stipulates that entrance fees must be capitalised.
3. Crockery purchased by cheque was R1 400. Breakages totalled R300.
4. Refreshments were sold for cash at a profit mark-up of 60%. The cost of refreshments sold amounted to R5 590. R2 500 is still payable to the suppliers of refreshments.
5. The secretary is entitled to an honorarium of R350 which will only be paid on 25 January 2013.

QUESTION 5

MANUFACTURING CONCERNS

(35 marks; 21 minutes)

5.1 Place a cross (X) under the appropriate category for each of the items listed below.

	ITEM	PRIME COST	FACTORY OVERHEADS	ADMINISTRATION COSTS	SELLING AND DISTRIBUTION
5.1.1	Indirect materials				
5.1.2	Advertising				
5.1.3	Direct Labour				
5.1.4	Factory Rent				
5.1.5	Office Stationery				

(5)

5.2 Julius Mamba manufactures handbags. He works at home using his father's garage. He is determined that he is only able to produce 40 handbags per month.

His average monthly expenses are as follows:

Material and other components for 40 handbags	520
Direct labour cost for 40 handbags	555
Rent for the use of the garage	1 250
Water and electricity (60% is variable cost)	775
Indirect material used in producing the handbags	460
Sundry expenses in the production process	200

5.2.1 Calculate:

- a) The total fixed cost (2)
- b) The total variable cost (2)

5.2.2 Explain the concept "breakeven". (2)

5.2.3 Calculate the selling price at the breakeven point.
Will Julius be satisfied with this break-even selling price? Explain. (7)

5.3 The following incomplete ledger accounts appeared in the books of Target Products for the financial year ended 28 February 2013.

The business manufactures stationery cases for learners. These are sold at a constant mark-up of 25% on cost.

REQUIRED:

5.3.1 Fill in all the appropriate details and amounts, where applicable.
(shown by an *)

(17)

INFORMATION:

- a) 18 200 units were produced during the year, and 16 825 units were sold.
b) The factory overhead cost per unit was R2,50.

**GENERAL LEDGER OF TARGET PRODUCTS
BALANCE SHEET ACCOUNTS**

WORK IN PROCESS STOCK (B8)

2012 Mar	1	Balance	10 200	2013 Feb	28	*	*
2013 Feb	28	*	38 420			Balance	14 000
		Direct labour cost	65 480				
		Factory Overheads	*				
			*				*
2013 Mar	1	Balance	*				

FINISHED GOODS STOCK (B9)

2012 Mar	1	Balance	0	2013 Feb	28	*	*
2013 Feb	28	*	*			Balance	*
			*				*
2013 Mar	1	Balance	*				

**FINAL ACCOUNTS
TRADING ACCOUNT**

2013 Feb	28	Cost of Sales	*	2013 Feb	28	*	*
		*	*				
			*				*

QUESTION 6**VAT AND STOCK SYSTEMS****(45 marks; 27 minutes)****6.1 VAT****REQUIRED:****6.1.1 Indicate whether the following statements are True or False.**

- (a) The invoice method means declaring VAT when money is received or paid.
- (b) All businesses must register as VAT vendors.
- (c) People using public transport do not pay VAT.
- (d) Necessary goods like bread and milk are taxed at a rate of 0%. (8)

6.1.2 The following information was extracted from the books of Tidy Cleaning Services. This businesses is a registered VAT vendor and pays the VAT owing to SARS on the 25th of each month.

During July 2013, the following list of payments was noted. Some amounts are given. You are required to complete the calculations where necessary.

EXPENSES	EXCLUDING VAT	VAT	VAT (INCLUSIVE)
Rental	6 400	896	7 296
Salaries and Wages	28 000		
Telephone	1 250		1 425
Advertising and Insurance	2 900		
Cleaning material			44 232
Stationery	550	77	
Fuel (Petrol)	2 480		

- Invoices issued for services rendered during July 2013 totalled R61 900 (excluding VAT). They also received R7 182 in fee income from cash customers (including VAT).

QUESTIONS:

- (a) According to the information above, calculate the amount of VAT that City Cleaning Services will need to pay to SARS on 25th August 2013. (Show all calculations – do not show the final answer only.) (13)
- (b) As a registered accountant, you noticed that the owner, P. Mandla, inflated the cleaning materials account by R5 000.
 - Express your feelings about Mandla's action, and explain what steps you would take. (4)

6.2 STOCK SYSTEMS

Jubilee Stores uses the periodic inventory system to record their stock. The information presented is from their accounting records for the financial year ended 30 September 2013. Goods are sold at a profit mark-up of **50%** on cost.

REQUIRED:

- 6.2.1 Complete the Purchases Account provided in the answer book, by filling in the missing details and amounts. (7)
- 6.2.2 Calculate the Gross profit earned by the business.
(You may construct the Trading Account to calculate this amount) (8)
- 6.2.3 Calculate the Gross profit percentage achieved. (3)
- 6.2.4 Provide ONE suitable reason why the 50% mark-up on cost was not achieved. (2)

INFORMATION:

1. The following balances appeared (amongst others) in the Pre-Adjustment Trial Balance on 30 September 2013.

Capital	550 000
Drawings	55 140
Debtors Control	75 000
Trading Stock (1 October 2012)	211 900
Sales	915 000
Purchases	684 240
Carriage on Purchases	9 610
Carriage on Sales (Delivery Expenses)	7 455
Debtors Allowances	24 170
Creditors Allowances	10 350

2. On 28 September 2013, the business donated goods (selling price: R2 160) to a local golf fund raiser. This transaction was not recorded.
3. It was discovered that an invoice received from Wheirs Cash and Carry was not entered. The invoice showed the following:

Merchandise purchased,	9 550
Transport cost,	<u>320</u>
	<u>9 870</u>

4. The owner took goods (cost R2 000) for his personal use.
5. A physical stock-count on 30 September 2013 showed the value of stock on hand to be R255 000.
6. An amount of R145 for carriage on sales was still outstanding from a customer.

