



Province of the
EASTERN CAPE
EDUCATION

**NATIONAL
SENIOR CERTIFICATE**

GRADE 12

SEPTEMBER 2010

**ACCOUNTING
SPECIAL ANSWER BOOK**

MARKS: 300

TIME: 3 hours



This answer book consists of 20 pages.

Name:	
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PREPARATORY EXAMINATION**ACCOUNTING**

<i>SPECIAL ANSWER BOOK</i>

QUESTION	MARKS	INITIAL	MOD.
1			
2			
3			
4			
5			
6			
TOTAL			

QUESTION 1

1.1 What is the purpose of a Bank reconciliation?

2

1.2 State the double entry to record the stale cheque.

Account Debit	Account Credit

2

1.3 The financial year of All Access ends on 30 June each year. How would cheque no. 1040 (in favour of Aggie Traders, a creditor) be dealt with in the financial statements? Give a reason for your answer.

Financial statements

Reason

6

1.4

Name ONE error by the bank that could have resulted in them wrongly debiting All Access' bank statement with R1 550.

2

1.5

Calculate the balance as per bank account. Indicate whether the balance is favourable or unfavourable.

5

1.6

State the double entry in the general ledger to record the dishonoured cheque.

Account Debit	Account Credit

2

1.7

Cheques are mainly dishonoured because of insufficient funds. Give TWO more reasons, excluding insufficient funds, for cheques to be dishonoured.

4

- 1.8.1 “White collar crime” may be defined as sophisticated crimes committed by members of management, whereas “blue collar crime” may be defined as obvious crimes which do not require access to the books of a business. Give an example of each of these crimes that could occur in a business.

White collar crime:

Blue collar crime:

4

- 1.8.2 What is meant by the term ‘internal control’?

2

- 1.8.3 What is the role of an internal auditor?

2

- 1.8.4 What is the role of an external auditor?

2

- 1.8.5 Why should an external auditor also be concerned over the quality of internal control in a business?

2

TOTAL
MARKS

35

QUESTION 2

- 2.1.1** Calculate the value of stock on hand at the end of the year according to the weighted average method.

8

- 2.1.2** Calculate the number of CDs that have been shoplifted.

5

- 2.1.3** Calculate the value of CDs that have been shoplifted.

3

- 2.1.4** Provide THREE points of practical advice to Tiger Music on how to improve control over their stock.

6

QUESTION 2.2

- 2.2.1 How would you respond to the manager that feels that not all VAT must be paid over to SARS? List ONE response.

2

- 2.2.2 Calculate the total amount of VAT that was charged on Zero-rated items if the amount including the VAT on the cash slip of Cashier 5 was R29,10.

3

- 2.2.3 In the scenario described above the management acted unethically. Provide TWO reasons to support this statement.

4

- 2.2.4 What will the consequences be for management, in the above scenario if their actions were discovered? Provide TWO consequences.

4

TOTAL MARKS
35

3.1.2 PRODUCTION COST STATEMENT OF BALLY TOY MANUFACTURERS FOR THE YEAR ENDED 28 FEBRUARY 2010

	TOTAL	
Direct/Raw materials cost		
Direct/Prime cost		
Total cost of production		
Work-in-process on 1 March 2009		
Work-in-process on 28 February 2010		
Cost of production of finished goods		7

3.1.3 Calculate the unit cost of production.

3

3.2 SHARKS CRICKET MANUFACTURERS

3.2.1 Calculate the number of cricket bats that must be produced and sold to break even.

3

3.2.2 Should Shark Cricket Manufacturers be satisfied with the break-even-point? Give a reason for your answer.

2

TOTAL
MARKS

35

QUESTION 4

4.1.1	RETAINED INCOME	

8

4.1.2	TRADE AND OTHER PAYABLES	

31

4.1.3 STONES LIMITED
BALANCE SHEET AT 30 JUNE 2010

	EQUITY AND LIABILITIES		
	SHARE CAPITAL AND RESERVES		
	NON CURRENT LIABILITIES		
	CURRENT LIABILITIES		
	TOTAL EQUITY AND LIABILITIES		

- 4.2.1 Give ONE reason why it is important that financial statements should be prepared according to GAAP and IFRS principles.

2

- 4.2.2 Explain what is meant by the Historical Cost and Going-Concern principles.

Historical:

Going-Concern:

4

- 4.2.3 Apart from the Income statement and Balance Sheet, list another TWO parts of a company's published annual report and explain what the purpose of these two parts would be.

4

- 4.2.4 Audit reports are categorized into FOUR categories. Disclaimer of opinion and withheld are two of these. Name and explain the other TWO reports.

4

- 4.2.5 Why is it important that all directors of companies in South Africa adopt an approach of good corporate governance at all times?

3

TOTAL MARKS
80

5.3.1 MEADOWS LIMITED

CASH-FLOW STATEMENT FOR THE YEAR ENDED 28 FEBRUARY 2010

	CASH-FLOWS FROM OPERATING ACTIVITIES	
		1 093 968
	CASH-FLOWS FROM INVESTING ACTIVITIES	
	CASH-FLOWS FROM FINANCING ACTIVITIES	
	Net change in cash equivalents	
	Cash and cash equivalents – beginning of the year	(28 000)
	Cash and cash equivalents – end of the year	

5.4.1 Debt/Equity (Gearing ratio)

5.4.1	Debt/Equity (Gearing ratio)	
		3

5.4.2	<div data-bbox="478 663 1252 719">Dividends per share</div> <div data-bbox="478 719 1252 739"></div>
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5.4.3	<p data-bbox="489 1070 759 1079">Net asset value per share</p> <div data-bbox="489 1079 1252 1151" style="border: 1px solid black; height: 193px;"></div>
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5.4.4	Acid-test ratio	
		4

- 5.5** The shareholders are concerned about the increase in borrowed capital. They think the increase in interest expense will impact negatively on the profit. Do you agree with them? Discuss by quoting TWO financial indicator and comment briefly to support your answer.

5.6 Your friend owns 2000 shares in Meadows Ltd.

- 5.6.1** According to the books of the company, how much was his investment worth on 28 February 2009?
-
- 3
-
- 5.6.2** Why is the price of shares on the J.S.E. different to the figures quoted above? (Provide one reason)
-
- 2
-
- 5.6.3** Your friend is tempted to buy a further 1 000 shares at market price in Meadows Ltd.
- (a)** How much will he pay for the shares on 28 February 2010?
-
- 3
-
- (b)** Provide one point in support of his decision to buy more shares. (Quote figures/ratios)
-
- 2
-
- (c)** Provide one point against his decision to buy more shares. (Quote figures/ratios)
-
- 2
-

TOTAL MARKS
75

QUESTION 6

6.1

Calculate the missing figures, labelled A to H on the Projected Income Statement.

A

3

B

3

C

4

D

7

E

3

F

2

G

2

H

7

6.2

List ONE item that you would find in the cash budget but not in the Projected Income Statement.

1

6.3

State TWO reasons why Florence Traders might not achieve their intended mark up on cost of goods sold.

4

6.4

To minimize the risk of bad debts there are certain steps that should be taken before allowing a customer to open an account. Name ONE step.

2

6.5

Will discount allowed be shown in the Projected Income Statement or in the Cash Budget or in both? Explain your answer in full.

2

TOTAL MARKS
40

