



Province of the  
**EASTERN CAPE**  
EDUCATION

**NATIONAL  
SENIOR CERTIFICATE**

**GRADE 11**

**NOVEMBER 2012**

**ACCOUNTING**

**MARKS: 300**

**TIME: 3 hours**

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This question paper consists of 16 pages.

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**INSTRUCTIONS AND INFORMATION**

1. This question paper comprises SIX compulsory questions.
2. Answer ALL the questions in the special 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 a black/blue pen in order to answer the questions.
6. A breakdown of the questions is provided. You must attempt to comply with the suggested time allocation for each question.

Use the information given in the table below as a guide when answering the questions. To exercise good time management, try NOT to deviate from it.

<b>QUESTION 1: (105 marks ; 63 minutes)</b>	
<b>Topic of the question</b>	<b>Learning Outcomes covered</b>
<b>Partnerships</b>	<b>LO1 AS5</b> Financial statements of partnerships Ratios and interpretation of financial information
	<b>LO3 AS6</b> Ethical issues

<b>QUESTION 2: (45 marks ; 27 minutes)</b>	
<b>Topic of the question</b>	<b>Learning Outcomes covered</b>
<b>Manufacturing Concerns</b>	<b>LO2 AS2</b> Posting to specific ledger accounts Break-even analysis

<b>QUESTION 3: (45 marks ; 27 minutes)</b>	
<b>Topic of the question</b>	<b>Learning Outcomes covered</b>
<b>Cash Budgets</b>	<b>LO2 AS3</b> Prepare and present cash budgets
	<b>LO3 AS6</b> Internal control over cash

<b>QUESTION 4: (30 marks ; 18 minutes)</b>	
<b>Topic of the question</b>	<b>Learning Outcomes covered</b>
<b>Bank Reconciliation</b>	<b>LO1 AS4</b> Preparing bank reconciliation statements
	<b>LO3 AS6</b> Internal control over cash

<b>QUESTION 5: (35 marks ; 21 minutes)</b>	
<b>Topic of the question</b>	<b>Learning Outcomes covered</b>
<b>Clubs and Stock systems</b>	<b>LO1 AS2</b> Clubs: ledger accounts and interpretation
	<b>LO3 AS4</b> Stock recording systems
	<b>AS6</b> Internal control over stock

<b>QUESTION 6: (40 marks ; 24 minutes)</b>	
<b>Topic of the question</b>	<b>Learning Outcomes covered</b>
<b>Asset Management</b>	<b>LO3 AS3</b> Asset acquisition, asset disposal and depreciation

**QUESTION 1****PARTNERSHIPS****(105 marks ; 63 minutes)**

The information presented below is from the records of JJ Stores for the financial year ended 29 February 2012. JJ Stores is a partnership with partners Jakob and Julies. The business deals in footwear sales and offers a repair facility. The business maintains a constant profit mark-up of 60% on cost.

**INSTRUCTIONS:****1.1 MATCHING ITEMS**

Choose a statement from COLUMN B that matches the GAAP principle listed in COLUMN A. Write only the letter next to the question number in the space provided in the answer book.

COLUMN A		COLUMN B	
1.1.1	Matching	A	The market value of the building is R800 000, but it must be recorded at its original cost of R340 000
1.1.2	Going-concern	B	"small" expenses of the business are grouped together and disclosed as Sundry Expenses
1.1.3	Historical cost	C	Money lost due to theft of stock is written off, even though it may be recovered in the future
1.1.4	Prudence	D	Insurance includes R340 which relates to the next financial year
1.1.5	Materiality	E	Financial statements are prepared on the assumption that the business will continue operating in the future

(10)

- 1.2 Taking into account the adjustments, complete the Income Statement for the year ended 29 February 2012. (40)
- 1.3 Prepare the following notes to the Balance Sheet:
- 1.3.1 Trade and Other Receivables (8)
- 1.3.2 Partners' Current Account Note (21)
- 1.4 Comment on the LIQUIDITY position of this business. Quote TWO relevant ratios to support your comment. (8)
- 1.5 Calculate the total earnings of partner Jakob. (*Show workings*). (4)
- 1.6 Calculate the return on investment of partner Julies. Should he be satisfied with this return? Elaborate. (8)
- 1.7 Julies is concerned about the total drawings of Jakob. Explain why you think it bothers him, and provide TWO suggestions on how he can address this concern. (6)

**INFORMATION****a. Extracted from the Pre-Adjustment Trial Balance on 29 February 2012**

	<b>DEBITS</b>	<b>CREDITS</b>
Capital: Jakob		330 000
Capital: Julies		220 000
Current Account: Jakob (1 March 2011)	9 850	
Current Account: Julies (1 March 2011)		12 750
Drawings: Jakob	83 610	
Drawings: Julies	24 140	
Equipment	77 540	
Accumulated Depreciation on equipment		32 820
Trading Inventory	88 770	
Debtors Control	27 777	
Provision for Bad Debts		1 420
Creditors Control		64 600
Loan: AB Bank		84 375
Fixed Deposit (14% p.a.)	50 000	
Cash and Cash Equivalents	4 695	
Sales		540 270
Cost of Sales	204 180	
Debtors Allowances	18 020	
Rent Income		46 520
Fee Income (on footwear repairs)		17 630
Consumable Stores	15 430	
Salaries and Wages	42 600	
Insurance	8 725	
Stationery	9 288	
Water and Electricity	12 545	
Bad Debts	2 323	
Interest on investment		5 250
Discount received		2 180
Sundry Expenses	?	

**ADDITIONAL INFORMATION:**

- a) A physical stock taking on 29 February 2012 revealed the following inventories on hand:

Trading Inventory	R87 650
Consumable Stores	R1 430

- b) Make provision for interest on investment. This investment has been in existence for the entire year.
- c) A debtor who owed R1 580 was declared insolvent. His estate paid 35% of his debt, and this has been correctly recorded. The remaining balance must be written off as a bad debt.
- d) The provision for bad debts must be adjusted to 4% of debtors.
- e) The rent increased by R320 on 1 December 2011. The tenant has paid the rent until the end of March 2012.
- f) Insurance includes R675 which relates to the period 1 January 2012 to 31 March 2012.
- g) The total interest on loan was transferred to the Loan Account (capitalised) on 27 February 2012. Interest is charged at 12,5% p.a.
- h) Depreciation on equipment of R15 472 must be taken into account.
- i) The partnership agreement made provision for the following:
1. Partners' salary allowance:
    - Jakob and Julies are entitled to an annual salary allowance of R90 000 and R86 600 respectively.
  2. Interest on capital is calculated at 8% p.a. on capital balances. Take into account that Julies increased his capital by R30 000 on 1 June 2011.
  3. Partners share profits and losses in proportion to their capital balances at the end of the financial year.

j) *List of financial indicators calculated:*

		29/02/2012	28/02/2011
1	Current ratio	1,9 : 1	1,6 : 1
2	Acid test ratio	0,5 : 1	0,9 : 1
3	Average debtors collection period	39 days	42 days
4	Debt-equity ratio	0,14 : 1	0,3 : 1
5	Return on investment		Jakob: 38% Julies: 45%
6	Current interest rate offered by banks	10%	

**QUESTION 2****MANUFACTURING CONCERNS****(45 marks ; 27 minutes)**

Gauteng Manufacturers produces printer cartridges for Bex printers and sells them at a profit mark-up of **50%** on cost. The information below is from their financial records for the financial year ended 30 June 2012.

**INSTRUCTIONS:**

- 2.1 Indicate the cost category of each of the item listed below. Choose your answer from the list provided. Write the answer only, next to the question number in the answer book.

Direct material cost; Selling and Distribution cost;  
Direct labour cost; Administration cost; Factory overhead cost

- 2.1.1 Advertising expense
- 2.1.2 Wages paid to workers in the production process
- 2.1.3 Salary of the factory foreman
- 2.1.4 Stationery and telephone expenses (4)

**REFER TO INFORMATION A**

- 2.2 Calculate the total FACTORY OVERHEAD COSTS. (15)
- 2.3 Calculate the selling price per cartridge.  
*Hint: Calculate the number of units sold first.* (4)
- 2.4 Post to the following accounts in the General Ledger.
- 2.4.1 Work in Process Stock Account (7)
- 2.4.2 Finished Goods Stock Account (6)

**REFER TO INFORMATION B**

- 2.5 Calculate the number of units Vusi had to produce in order to break even. (5)
- 2.6 Explain the usefulness of the break-even analysis, and comment on the level of production achieved by Vusi. (4)

**INFORMATION A:**

Gauteng Manufacturers produces printer cartridges for Bex printers and sells them at a profit mark-up of **50%** on cost. The information below is from their financial records for the financial year ended 30 June 2012.

a) <i>Stock balances</i>	<b>30 JUNE 2012</b>	<b>1 JULY 2011</b>
Raw Material Stock	34 560	27 660
Factory Indirect material	2 530	3 550
Work in Process Stock	37 300	32 450
Finished Goods Stock	33 000	14 250
	440 units	190 units

b) *Summary of transactions for the year ended 30 June 2012*

<b>Material used in the factory:</b>	
• Raw material purchased	?
• Raw materials issued for production	490 000
• Indirect materials purchased	21 760
<b>Factory salaries and wages:</b>	
• Direct labour	647 500
• Indirect labour	24 350
• Factory manager's salary	64 860
<b>Other expenses:</b>	
• Rent expense	38 400
• Insurance	8 880
• Water and Electricity	16 600
• Bad debts	3 210
• Sundry factory expenses	25 620
<b>Sales</b>	<b>1 940 625</b>
<b>Number of units produced</b>	<b>17 500</b>

c) *Additional Information:*

- 60% of the rent expense must be allocated to the factory.
- $\frac{2}{3}$  of the insurance expense relates to the factory.
- Water and electricity must be divided between the factory and the office in the ratio 4 : 1 respectively.

**INFORMATION B:**

Vusi makes fancy cellphone pouches which are popular with high school learners. He operates from his father's garage. The information below relates to the first 3 months of his business.

a)

	TOTAL	PER UNIT
<b>Fixed Costs</b>		
• Factory overheads	6 860	
• Administration costs	690	
<b>Variable Costs</b>		
• Direct material costs	9 800	10
• Direct labour costs	5 880	6
• Selling and distribution costs	2 940	3

- b) Number of units produced: **980** (all the units produced were sold)  
 Sales for the period above: **R27 440**

**QUESTION 3****CASH BUDGETS****(45 marks ; 27 minutes)**

You are provided with information from King Dealers, a business owned by D. King. The business buys and sells camping goods using a profit mark-up of **60%** on cost.

**INSTRUCTIONS:**

- 3.1 Complete the partially completed Debtors Collection schedule. (7)
- 3.2 Prepare the Cash Budget for the budget period 1 May 2012 to 30 June 2012. (26)
- 3.3 D. King wants to borrow R100 000 from the bank. He intends presenting this budget as a motivation for the loan. State TWO points that you think the bank would consider before making a decision. (Quote figures) (4)
- 3.4 The budgeted telephone expense for April was R3 000.
- 3.4.1 Provide a suitable reason for the actual expense being R450 more than the budgeted amount. (2)
- 3.4.2 Give a reason why the business decided to maintain the telephone expense at R3 000 for the budget period. (2)
- 3.5 The sales assistants are dissatisfied with their wage increase. Give TWO points to support them. (4)

**INFORMATION:**

- a) *Some actual and budgeted amounts:*

	ACTUAL		BUDGETED	
	MARCH	APRIL	MAY	JUNE
Sales (cash and credit)	82 000	76 000	72 000	66 000
Purchases of stock	51 250	47 500	?	?
Rent Income	9 000	9 000	?	?
Manager's Salary	8 500	8 500	?	?
Wages (Sales assistants)	12 000	12 000	?	?
Telephone	3 000	3 450	3 000	3 000
Consumable Stores	4 500	4 500	4 600	4 600
Discount Received	1 000	1 200	1 200	1 300
Sundry expenses	8 000	?	?	?

- b) 25% of total sales are for cash. Experience has shown that debtors settle their accounts as follows:

60% Settle in the month following the transaction month  
 37% Settle in the 2<sup>nd</sup> month after the transaction month  
 3% Is usually irrecoverable

- c) Inventories are kept constant by replacing the amount of goods sold.  
 (A base stock is maintained.) *Note that the mark-up percentage on cost is 60%.*

All purchases are on credit and creditors are paid 30 days after purchases.  
*(i.e. in the next month)*

- d) Salaries and wages are reviewed at the end of May each year. It was decided that the manager's salary will increase by 10% effective from 1 June 2012.

The sales assistants will receive a 5% increase, which was equal to the inflation rate at the time.

- e) Sundry expenses are expected to increase by 5% on the previous month's total.
- f) New equipment to the value of R75 000 (including finance charges) will be purchased during May 2012. R25 000 will be paid in May, and the balance will be paid in eight equal instalments.
- g) Rent income will be increased by 8% on 1 May 2012.
- h) The owner's total drawings per month amounts to R5 500. R1 200 of this is usually consumable goods from stock.
- i) On 30 April 2012 the bank account showed a favourable balance of R27 555.

**QUESTION 4****BANK RECONCILIATION****(30 marks ; 18 minutes)**

KJ Traders is a small business that deals in selling computer equipment. They also provide a repair and maintenance service to regular clients. The following information was extracted from their records. The bank statement was received from Beta Bank on 29 June 2012.

**INSTRUCTIONS:**

- 4.1 Adjust the Bank account in the General Ledger, by recording the information directly in the Bank Account, as laid out in the answer book.  
*Insert appropriate details on each side of the bank account for part-marks.* (16)
- 4.2 Prepare the Bank Reconciliation Statement on 30 June 2012. (10)
- 4.3 Explain how monthly reconciliation with the bank statement can be useful in detecting and preventing mismanagement of cash and fraud. (TWO POINTS) (4)

**INFORMATION:**

- a) On 30 June 2012, the bank columns in the cash journals show the following provisional totals:

- Cash Receipts Journal           R620 500
- Cash Payments Journal         R532 200

- b) The following items appeared on the bank reconciliation statement on 31 May 2012.

Favourable balance as per bank statement	11 500
Cheque 1123 not presented for payment	12 250
Cheque 1136	4 200
Cheque 983 dated 22 December 2010	500
Outstanding deposits	18 600

- c) *Information that appeared in the cash journals but not on the bank statement for June 2012:*

- Cheque 1143 for R21 400 – post-dated for 15 September 2012.
- Cheque 1156 for R7 500 – dated 29 June 2012.
- A deposit of R45 600 on 30 June 2012.

- d) *Information that appeared on the bank statement received, but not in either of the cash journals for June 2012:*

- Total bank charges for the period of the statement, R1 860.
- A deposit of R18 600 was recorded on 1 June 2012.
- Cheque 1136 was recorded on the statement as R2 400 (the correct amount). This cheque was in favour of a creditor.
- A stop-order went through in favour of Cat Insurers for R3 000 for a short-term insurance on the store.
- Interest of R600 was received for the period of the bank statement.
- An R/D cheque for R9 420. An investigation revealed that this cheque was received from a debtor, M. Broke as a final payment of his account of R9 500.
- A cheque payment for R1 250. It was established that this was not a transaction of this business but it was an error made by the bank.

- e) Cheque 983 was issued to Sunflower Children's Home, as a donation. This organisation has subsequently closed down.

- f) Cheque 1123 was reported lost. This was in favour of BLK Services for renovations to the existing building. A new cheque 1167 was issued. This transaction was not recorded.

- g) The bank statement reflected a favourable balance on 30 June 2012.

**QUESTION 5****CLUBS AND STOCK SYSTEMS****(35 marks ; 21 minutes)**

The information below was taken from the records of M9 Tennis Club for the financial year ended 31 December 2011:

**INSTRUCTIONS:**

- 5.1 Prepare the Membership Fee account in the General Ledger. (17)
- 5.2 The club has a kiosk and dining area. Refreshments are sold to members at a profit mark-up of 25% on cost. The club uses the periodic inventory system to record refreshment stock.
- 5.2.1 Calculate the cost of refreshments sold. (3)
- 5.2.2 Calculate the total amount of refreshments purchased during the year. (6)
- 5.3 Name another system that the club can use to record stock. (2)
- 5.4 Is the periodic inventory system an appropriate system for the club to use? Motivate your answer. (3)
- 5.5 The chairperson feels that the stock balances should not be so high. Suggest TWO ways in which stock can be more effectively controlled. (4)

**INFORMATION:**a) **Balances on 1 January 2011: (amongst others)**

Refreshment Stock	12 450
Accrued Income (Membership Fees)	480
Income Received in advance (Membership Fees)	240

b) **Extract from the Analysis Cash Book for the year ended 31 December 2011:**

RECEIPTS			PAYMENTS	
Membership fees	2010	320	Refreshment purchased	22 680
	2011	5 430	Membership fees ( <i>refunded</i> )	60
	2012	360		
Entrance fees		1 320		
Refreshment sales		52 550		

c) **Entrance Fees:**

- New members pay R120 entrance fees once their application is accepted.

d) **Membership Information:**

- Membership fee is R80 per member per year.
- New members joining before June each year, pay R50.
- Old members, who pay before March, get a R20 discount.
- \* On 1 January 2011, the club had 67 members.
- \* 5 of the new members joined before 30 June 2011. All the new members paid their memberships in full.
- \* The outstanding 2010 fees must be written off, and the defaulting members taken off the club records.
- \* A member, who paid his 2011 fees in 2010, was transferred to KZN. The club decided to give him a refund.
- \* Three members did not pay their 2011 membership fees.

e) **Refreshment information:**

- \* Refreshments are purchased for cash and on credit, but sold for cash only.
- \* Refreshment to the value of R640 was donated to a local school.
- \* Stock of refreshments on 31 December 2011 amounted to R10 420.

**QUESTION 6****ASSET MANAGEMENT****(40 marks ; 24 minutes)**

The following information appeared in the books of Harry's Traders for the financial year ended 29 February 2012.

**INSTRUCTIONS:**

- 6.1 Post to the following accounts in the General Ledger:
- 6.1.1 Equipment (cost) (6)
- 6.1.2 Asset Disposal (8)
- 6.2 Complete the Tangible Asset Note to the Balance Sheet.  
*Show workings for depreciation calculations to score part marks.* (21)
- 6.3 40% of the total equipment is made up of computers and other office devices. The accountant is of the opinion that the depreciation policy regarding equipment must be re-visited. Do you agree? Provide TWO reasons. (5)

**INFORMATION:**a) *Tangible Assets balances*

	<b>29 FEBRUARY 2012</b>	<b>1 MARCH 2011</b>
Vehicles	235 000	175 000
Equipment	69 900	92 400
Accumulated Depreciation on Vehicles	?	87 600
Accumulated Depreciation on Equipment	?	42 200

- b) On 1 December 2011, a new vehicle was purchased from BGT Motors on credit. No vehicles were sold.
- c) On 30 June 2011, old equipment was donated to an old age home. The accumulated depreciation on the furniture donated, was R18 300 on 1 March 2011. The new equipment to replace the old ones will only be purchased in the next financial year.
- d) Depreciation must be provided for as follows:
- Vehicles at 15% on cost.
  - Equipment at 20% on the diminishing balance method.

**40****TOTAL: 300**