



Province of the
EASTERN CAPE
EDUCATION

**NATIONAL
SENIOR CERTIFICATE**

GRADE 11

NOVEMBER 2011

ACCOUNTING

MARKS: 300

TIME: 3 hours



This question paper consists of 15 pages.

INSTRUCTIONS AND INFORMATION

1. This question paper comprises 6 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 black/blue ink 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.

QUESTION 1: (60 marks ; 36 minutes)	
<i>Topic of the question</i>	<i>Learning Outcomes covered</i>
Fixed Assets and Income Statement	LO3 Managing Resources <ul style="list-style-type: none"> Recording depreciation, acquisition and disposal of fixed assets LO1 Financial Information <ul style="list-style-type: none"> Taking into account adjustments and preparing an Income Statement

QUESTION 2: (60 marks ; 36 minutes)	
<i>Topic of the question</i>	<i>Learning Outcomes covered</i>
Partnerships (Balance Sheet and Interpretation)	LO1 Financial Information <ul style="list-style-type: none"> Completing the Balance Sheet and Notes Interpreting financial ratios and indicators LO3 Managing Resources <ul style="list-style-type: none"> Internal Audit processes and analyzing ethical behaviour

QUESTION 3: (35 marks ; 21 minutes)	
<i>Topic of the question</i>	<i>Learning Outcomes covered</i>
Bank Reconciliation	LO1 Financial Information <ul style="list-style-type: none"> Interpret bank reconciliation information. LO3 Managing Resources <ul style="list-style-type: none"> Internal Controls

QUESTION 4: (45 marks ; 27 minutes)	
<i>Topic of the question</i>	<i>Learning Outcomes covered</i>
Cash Budgets	LO2 Managerial Accounting <ul style="list-style-type: none"> Prepare, present and analyze budgets of a sole trader.

QUESTION 5: (45 marks ; 27 minutes)	
<i>Topic of the question</i>	<i>Learning Outcomes covered</i>
Manufacturing Concerns	LO2 Managerial Accounting <ul style="list-style-type: none"> Cost principles and Ledger Accounts

QUESTION 6: (55 marks ; 33 minutes)	
<i>Topic of the question</i>	<i>Learning Outcomes covered</i>
Clubs and Inventory Recording	LO1 Financial Information <ul style="list-style-type: none"> Accounting for Non-Profit organizations. LO3 Managing Resources <ul style="list-style-type: none"> Different Stock recording systems

QUESTION 1**FIXED ASSETS AND INCOME STATEMENT****(60 marks ; 36 minutes)**

The following information was taken from the books of Sharks Traders on 28 February 2011, the end of the current financial year.

INSTRUCTIONS:

1.1 *Refer to Additional Information A:*

- Complete the Equipment, and the Accumulated Depreciation on Equipment Accounts in the General Ledger. (15)
- Complete the Fixed Assets Note to the Balance Sheet. (8)

1.2 Taking into account the additional information, prepare the Income Statement for the year ended 28 February 2011. (37)

INFORMATION**SHARK TRADERS**

List of pre-adjustment balances and totals on 28 February 2011 (*amongst others*)

Equipment	31 000
Accumulated Depreciation on Equipment	14 500
Trading Stock	23 450
Debtors Control	16 540
Fixed Deposit (13% p.a. interest)	8 000
Provision for Bad Debts	1 111
Loan: Y Bank	20 000
Sales	123 860
Debtors Allowances	1 360
Cost of Sales	57 500
Rent Income	31 850
Salaries and Wages	36 000
Insurance	2 220
Discount received	1 140
Profit on sales of asset	100
Interest on loan	2 500
Bad Debts	730
Municipal Services	6 340
Interest on investment	200
Consumable Stores	4 440
Sundry Expenses	8 860

ADDITIONAL INFORMATION AND ADJUSTMENTS**A Fixed Assets (Equipment)**

- On 1 May 2010, an old office desk with an original cost price of R3 600 was sold for R2 500 cash. The accumulated depreciation on the desk sold was R1 200 on the 1 March 2010. The accounts clerk recorded the transaction as reflected by the following Asset Disposal Account:

ASSET DISPOSAL (N12)

2010 MAY	1	Equipment	3 600	2010 MAY	1	Accumulated Depreciation on Equipment	1 200
		Profit on Sale of Asset	100			Bank	2 500

- On 1 June 2010, Shark Traders purchased additional furniture from Lesley Suppliers for R8 000, on credit. This was not recorded.
 - Equipment is depreciated at 15% p.a. using the diminishing balance method (carrying value).
- B** A further R320 must be written off as irrecoverable (Bad Debts) and the Provision for Bad Debts must be adjusted to 5% of debtors.
- C Inventory (Stock):**
- The annual stock-take on 28 February 2011 determined that R22 120 worth of Trading Stock was on hand.
 - The unused Consumable Stores amounted to R1 120.
- D Interest:**
- Interest on loan must be taken into account at 12%p.a. Note the R5 000 of the loan is paid on 1 September each year.
 - The Fixed Deposit was invested on 1 December 2010.
- E** The rent for March 2011 was received and deposited.
- F** A quarter of the Insurance expense relates to the next financial year.

QUESTION 2**PARTNERSHIPS****(60 marks ; 36 minutes)**

You are presented with information from the records of FM Dealers, a partnership business which deals in the sale of radios and miscellaneous audio-video equipment. The partners are Y. Feint and U. Margin. The financial year ends on 31 December each year.

INSTRUCTIONS:

- 2.1 Calculate the amounts denoted by **(a)** to **(d)** in the Current Accounts of the partners. (15)
- 2.2 Calculate the Net Profit for the year. (7)
- 2.3 Y. Feint is interested in finding out about his returns on the money he invested in the partnership to determine if the hard work and stress of running a business is worthwhile. He is aware that banking institutions offer 12,5% interest on a fixed deposit investment.
- Calculate Feint's return on investment. (6)
 - Feint does not understand the significance of the answer above and asks for your advice. What explanation would you offer? (3)
- 2.4 Feint had taken a motor vehicle (carrying value of R55 000) as a reduction of his capital contribution. This was recorded at the value that he was prepared to pay for the vehicle.
- 2.4.1 Provide a suitable reason why Margin should be disappointed with the above transaction. (2)
- 2.4.2 Margin has decided that, in the new year, the business should employ an internal auditor. Describe the basic function of an Internal Auditor. (2)
- 2.4.3 Explain how an internal auditor would contribute to resolving issues like the one described in QUESTION 2.4 above. (2)
- 2.5 Prepare the following notes to the Balance Sheet:
- Capital (5)
 - Trade and Other Payables (6)
- 2.6 Complete the **Equity and Liabilities** section of the Balance Sheet provided. (12)

INFORMATION:**A The Capital and Current Accounts as they appeared in the General Ledger:****GENERAL LEDGER OF FM DEALERS****CAPITAL: FEINT (B1)**

2010 Mar	31	Motor Vehicle	20 000	2010 Jan	1	Balance	b/d	180 000

CAPITAL: MARGIN (B2)

				2010 Jan	1	Balance	b/d	120 000
				Sep	1	Bank		40 000

CURRENT ACCOUNT: FEINT (B3)

2010 Jan	1	Balance b/d	2 260	2010 Dec	31	Salary: FEINT	(a)
Dec	31	Drawings: FEINT	60 500			Interest on Capital	(b)
		Balance c/d	30 865			Appropriation	12 775
			93 625				93 625
				2011 Jan	1	Balance b/d	30 865

CURRENT ACCOUNT: MARGIN (B4)

2010 Dec	31	Drawings: MARGIN	69 600	2010 Jan	1	Balance b/d	12 710
		Balance c/d	(d)	Dec	31	Salary: MARGIN	69 600
						Interest on capital	(c)
						Appropriation	12 775

- Both partners draw their salaries on a monthly basis. This is reflected by the drawings in the Current Account. Feint did not draw his December salary.
- Interest on Capital is calculated at 9% p.a. on Capital balances.

B Information from the Post-Closing Trial Balance on 31 December 2010:

Loan: XY Bank	80 000	Income Received in Advance	4 520
Creditors Control	22 680	Accrued Expenses	6 650
Bank Overdraft	?	Prepaid Expenses	5 290
Accrued Income	7 160	SARS – PAYE & Pension Fund	20 950

- R5 000 of the loan is payable in the next financial year.
- The current ratio achieved was **2,1 : 1**
- Some amounts are provided on the Balance Sheet in the Answer Book.

QUESTION 3**BANK RECONCILIATION****(35 marks ; 21 minutes)**

INSTRUCTIONS:

- 3.1 Use the information provided below to do the following:
- 3.1.1 The Cash Journals for June 2011. (16)
 - 3.1.2 The Bank Account in the General Ledger. (6)
 - 3.1.3 The Bank Reconciliation Statement on 30 June 2011. (9)
- 3.2 The Manager is concerned about the outstanding deposits totalling R15 000. This has resulted in the overdraft reflected on the June bank statement.
- Suggest internal control mechanisms that can be implemented to overcome such situations. (*Two valid points*) (4)

INFORMATION:1. **Bank Reconciliation Statement of Stormers Traders on 31 May 2011.**

	DEBIT	CREDIT
Cr Balance as per Bank Statement (UC Bank)		6 690
Cr Deposits not yet recorded		4 760
Dr Outstanding Cheques No. 112	352	
No. 123 (1 Sept 2010)	100	
No. 137	458	
No. 142 (30 June 2011)	320	
Dr Balance as per Bank Account	10 220	
	11 450	11 450

2. On 30 June 2011, the provisional bank totals in the cash journals before the bank statement was received were as follows:
- Cash Receipts Journal, R17 763
 - Cash Payments Journal, R15 960
3. A comparison of the June bank statement with the May Reconciliation Statement (above), and the Cash Journals, showed the following differences:

On the Bank Statement

- Unpaid cheque, R265, from V. Skalk, a debtor, due to insufficient funds.
- Stop order, R180 in favour of CKS Insurers, for the monthly fire insurance.
- Bank charges, R295.
- Interest on a fixed deposit of R18 000 at an interest rate of 11% per annum, for 2 months, deposited by UC Bank
- Cheque No. 112 appeared on the bank statement as R325 (the correct amount). This was in respect of stationery purchased from CXB Stationers.
- Cheque No. 123 was issued to STARS, a local bowls club, for the owner's annual subscriptions. The club subsequently closed down due to poor support by the members.
- A cheque payment in favour of TELKOM for R540, was incorrectly shown on the bank statement. This was a payment from the owner's personal cheque account.
- Cheque No. 137 and the deposit of R4 760 appeared on the statement.

In the Cash Journals:

- Deposits totalling R15 000 from the Cash Receipts Journal were not deposited.
- Schedule of cheques issued during June 2011, not presented for payment

Cheque No. 156	R380
Cheque No. 162	R740

4. The Bank Statement reflected an overdraft at the end of the month.

QUESTION 4**CASH BUDGETS****(45 marks ; 27 minutes)****INSTRUCTIONS:**

The information below is from the books of Crockley Stationers. You are required to:

- 4.1 Prepare the Debtors Collection Schedule for the June and July 2010. (10)
- 4.2 Complete the Cash Budget for June and July 2010. Note that some of the amounts are given in the answer book. (26)
- 4.3 Answer the following questions.
 - 4.3.1 Why is it necessary to prepare a Cash Budget? (2)
 - 4.3.2 You discover that the actual motor vehicle expense for June 2010 was R6 550. Suggest TWO possible reasons/explanations for the difference. (2)
 - 4.3.3 Is the business managing its cash resources effectively? Motivate your response by quoting any TWO examples (with figures/amounts) from the budget. (5)

INFORMATION:

- 1 Sales figures relevant for the budget period:

ACTUAL SALES		PROJECTED SALES	
March	49 000	June	56 000
April	47 600	July	41 440
May	44 800		

- 25% of total sales represent cash sales.
 - Although debtors are expected to pay within 30 days, payment trends shows that:
 - 30% of debtors pay in the month of sale.
 - 55% pay in the following month.
 - 12% pay two months after the sale.
 - The balance is usually irrecoverable (bad debts)
- 2 The business uses a constant profit mark-up of 40% on cost.
- The business replaces stock according to the amounts sold. (*a base stock is maintained*)
 - 50% of all stock purchased, is paid for in cash.
 - Creditors allow 60 days credit but allow a 5% discount if outstanding balances are paid within 30 days (*the next month*). The business always takes advantage of the discount.
- 3 Sundry expenses amounts to R4 300 per month and is expected to remain constant during the budget period.
- 4 Salaries and Wages total R16 000 per month. Employees are entitled to an 8% annual inflationary increase commencing in July.
- 5 Motor vehicle expenses is allocated R5 000 per month. This does not include Depreciation which amounts to R1 250 per month.
- 6 The business has a loan of R120 000 at VW Bank at an interest rate of 12% p.a. The monthly interest is paid on 25th of every month. Take into account that R20 000 of the loan is due to be repaid on 1 July 2010.
- 7 An investment of R25 000 is due to mature on 1 June 2010. The business is expected to receive this amount, together with interest at 15% p.a. for the last two month, in June.
- 8 The Bank had a credit balance of R2 144 on 31 May 2010. (*overdraft*)

QUESTION 5

MANUFACTURING CONCERNS

(45 marks ; 27 minutes)

- 5.1 The information below is from the records of Kolkata Manufacturers, for the financial year ended 30 June 2010:

Number of cricket bats produced			4 365
Turnover (sales) for the year (all units produced were sold)			720 225
Total fixed costs			299 600
	• Factory Overhead Costs	?	
	• Administrative Cost	138 095	
Total variable costs			414 675

Number of cricket bats produced for the year ended 30 June 2009		4 120
The factory overhead cost per unit on 30 June 2009		R42

- 5.1.1 Three options are provided for each of the statements below. Choose the answer and write only the letter (A – C) next to the question number in the answer book. Example (a) B.

- (a) The wages paid to a factory cleaner will be classified as ...

- A direct labour cost
- B administrative cost
- C factory overhead cost

(1)

- (b) Which ONE of the following will **not** be regarded as an administration cost?

- A Insurance
- B Packing Material
- C Stationery

(1)

- (c) ... is an example of a selling and distribution cost.

- A Advertising
- B Raw material
- C Depreciation on plant and machinery

(1)

- 5.1.2 Use the figures from the table above to calculate the break-even point.

(6)

- 5.1.3 What advice would you offer Kolkata Manufacturers with regards to the break-even analysis done above?

(3)

- 5.1.4 Calculate the factory overhead cost per unit for the year ended 30 June 2010.

(4)

- 5.1.5 The factory overhead cost per unit for 2009 was R42. Give a possible reason (besides price changes) for the change in this unit cost.

(2)

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5.2 Below is the information of Chennai Products for the year ended 30 June 2011.

INSTRUCTIONS:

5.2.1 Calculate the total factory overhead cost. (14)

5.2.2 Post to the following accounts in the General Ledger:

- Work in Process Stock Account. (7)
- Finished Goods Stock Account. (6)

[27]

INFORMATION:

1. Balances

	30 June 2011	30 June 2010
Work in Process Stock	18 900	22 220
Finished Goods Stock	?	37 600
Factory Indirect Material	6 200	9 870

2. Transactions, and other financial information, for the year ended 30 June 2011:

Total Prime costs	414 680
Direct Labour Costs	114 080
Salaries:	
• Factory foreman	72 000
• Sales manager	48 000
Factory indirect material purchased	33 330
Water and Electricity	23 450
Rent Expense	66 900
Insurance	8 600
Depreciation on factory plant and machinery	12 400
Sundry factory expenses	10 285
Advertising	10 980
Sales of finished goods (Goods are sold at a profit mark-up of 50% on cost)	900 000

- Rent is allocated in proportion to floor space occupied by the different departments, which is as follows:

	FACTORY	OFFICE	SALES
Square metres	1 400	100	600

- 10% of the water and electricity is allocated to the office and 20% to the sales department. The balance applies to the factory.
- Half of the insurance expense must be allocated to the factory.

QUESTION 6**CLUBS AND INVENTORY RECORDING****(55 marks ; 33 minutes)****6.1 CLUBS****(a)**

The following Membership Fees Account appeared in the General Ledger of Spartan Tennis Club for the year ended 31 December 2010:

Study the account and answer the questions set.

**GENERAL LEDGER OF SPARTAN TENNIS CLUB
MEMBERSHIP FEES (N1)**

2010 Jan	1	Accrued Income	800	2010 Jan	1	Income Received in advance	320
Dec	31	Income received in advance	160	Dec	31	Bank	5 760
		Income and expenditure	(b)			Membership Fees written off	(a)
						Accrued Income	(c)
						Honorarium	160
			?				?

Additional information:

- Membership fee is R160 per member, per year.
- On 1 January 2010, the Club had 42 members.
- Only 2 members paid their outstanding fees for 2009.
- The defaulting members were suspended from the club, and their membership to the club terminated with immediate effect.
- 8 new members joined during 2010. They all paid the fees due.
- Some members did not pay their fees for this year.

QUESTIONS

- 6.1.1 Taking into account the additional information, calculate the amounts for **(a)**, **(b)** and **(c)** in the above ledger account. *Show all workings.* (12)
- 6.1.2 Give a suitable reason for "honorarium" on the credit side of the account. (2)
- 6.1.3 (a) Calculate the number of members, whose fees are still outstanding on 31 December 2010. (3)
- (b) Give TWO suggestions that the committee can use, to encourage members to pay their fees on time. Note that charging interest is not an option as it turned many members away from the club. (4)
- (c) The Chairperson is concerned about the lack of interest shown by members in club activities. How can she motivate members to show more interest in the club? Provide TWO suggestions. (4)

[25]

6.2 RECORDING OF INVENTORY (STOCK)

- 6.2.1 The following transactions appeared in the books of Ramon Stores for the financial year ended 28 February 2011:
The business uses the periodic inventory system to record stock.

Analyse the transactions according to the headings as per the table in the answer book. Under Assets, Equity and Liabilities, show the increase(+) or decrease(-), as well as the amounts. (20)

TRANSACTIONS:

- (a) Took delivery of trading goods purchased on credit from VT Traders, R3 690.
 - (b) Paid transport cost by cheque, for delivery of the above goods, R285.
 - (c) Returned goods not according to order to VT Traders.
Received their credit note for R320.
 - (d) Issued cheque to VT Traders, R1 500, being a part payment of the account.
 - (e) Stock take on 28 February 2011 showed that R6 240 worth of stock was unsold.
- 6.2.2 Ramon buys goods in bulk and recognizes that there is a huge demand for the products he offers. He is, however, not satisfied with the fact that large amounts of stock moves in and out of the business with little supervision. As a result, the business often runs out of stock. He is considering changing the system he is presently using, to an alternative system.

QUESTIONS:

- (a) Name ONE other system that can be used to record stock. (2)
- (b) Identify TWO weaknesses (disadvantages) of the periodic system being used. (4)
- (c) Explain how an alternative stock system would assist in improving his control over stock. (4)

[30]**55****TOTAL: 300**