



Province of the  
**EASTERN CAPE**  
EDUCATION

## **NATIONAL SENIOR CERTIFICATE**

**GRADE 11**

**NOVEMBER 2011**

### **ACCOUNTING MARKING GUIDELINE (MEMORANDUM)**

**MARKS: 300**

#### **GENERAL PRINCIPLES:**

- 1 Where calculations are required, award full marks for the final answer. If the answer is incorrect, mark the workings provided. If the working amount is shown as a final answer, award the relevant marks allocated for workings (Income statement), and not the method mark for the answer)
- 2 Method marks are denoted by ☒.
  - For calculations and final totals, at least one part of the workings must be correct for the method mark to be earned. For totals – inspect operation and reasonableness of answer before awarding the mark.
  - In cases where answers of previous questions must be used (carried forward answers), check the transfer.
  - Unless otherwise indicated, the positive or negative effect of any figure must be considered to award the mark. If no sign (+/-) or bracket is provided, assume that the figure is positive.
- 3 For questions requiring explanations and comments (2 marks or more), award part-marks. A good comment will normally mention and explain a point. Beware of different ways to say the same thing. Note that the marking guideline only offer suggested answers – read and try to make sense of what the learner is attempting to convey, and award marks accordingly.
- 4 Where penalties are applied (such as foreign items, misplaced items, omitted details, etc.), the marks for that section cannot be a negative. Penalties will be indicated next to the relevant questions where applicable.

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This memorandum consists of 16 pages.

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## QUESTION 1

## FIXED ASSETS AND INCOME STATEMENT

(60 marks ; 36 minutes)

1.1

## GENERAL LEDGER OF SHARKS TRADERS

## EQUIPMENT (B4)

2010 Mar	1	Balance	b/d	34 600	2010 May	1	Asset Disposal ✓		3 600
Jun	1	Creditors Control ✓		8 000 ✓			Balance	c/d	39 000 <input checked="" type="checkbox"/>
				42 600					42 600
2011 Mar	1	Balance	b/d	39 000 <input checked="" type="checkbox"/>					

5

## ACCUMULATED DEPRECIATION ON EQUIPMENT (B5)

2010 May	1	Asset Disposal		1 200	2010 Mar	1	Balance	b/d	15 700
		Asset Disposal ✓		60 ✓✓	May	1	Depreciation ✓		60 ✓
		Balance	c/d	17 875 <input checked="" type="checkbox"/>	2011 Feb	28	Depreciation		3 375 ✓✓✓
				19 135					19 135
							Balance	b/d	17 875 <input checked="" type="checkbox"/>
*Depreciation may be combined as one amount – R3 435 (award the allocated marks accordingly)									

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## NOTE: FIXED ASSETS

COST (1 March 2010)		34 600
Accumulated Depreciation on Equipment		(15 700)
<b>Carrying Value on 1 March 2010</b>		<input checked="" type="checkbox"/> 18 900
Movements:	Additions	✓ 8 000
	Disposals (3 600 – 1 260)	✓✓ (2 340)
	Depreciation <i>Check depreciation total in the ledger account above</i>	<input checked="" type="checkbox"/> (3 435)
<b>CARRYING VALUE ON 28 FEBRUARY 2011</b>		<input checked="" type="checkbox"/> 21 125
Cost (28 February 2011)		<input checked="" type="checkbox"/> 39 000
Accumulated depreciation on equipment		<input checked="" type="checkbox"/> (17 875)

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## 1.2 SHARKS TRADERS

## INCOME STATEMENT FOR THE YEAR ENDED 28 FEBRUARY 2011

Sales	(123 860✓ – 1 360✓)	122 500	②
Cost of Sales		(57 500)	✓
GROSS PROFIT	<i>Inspection</i>	65 000	✓
Other Income		31 000	
Provision for bad Debts Adjustment	(1 111 – 811✓)	300	✓ ②
Rent Income	(31 850✓ – 2 450✓)	29 400	✓ ③
Profit on sale of asset	(100✓ + 60✓)	160	✓ ③
Discount received		1 140	✓
GROSS INCOME	<i>Inspection</i>	96 000	✓
OPERATING EXPENSES		62 000	
Trading Stock deficit		1 330	✓✓
Depreciation	Transfer from Note	3 435	✓
Salaries and Wages		36 000	✓
Insurance	(2 220✓ – 555✓)	1 665	✓ ③
Bad Debts	(730✓ + 320✓)	1 050	✓ ③
Municipal Services		6 340	✓
Consumable Stores	(4 440✓ – 1120✓)	3 320	✓ ③
Sundry expenses		8 860	✓
OPERATING PROFIT	<i>Inspection</i>	34 000	✓
Interest Income	(200✓ + 60✓)	260	✓ ③
Profit before interest expense		34 260	
Interest Expense	(2 500✓ + 200✓)	(2 700)	✓ ③
NET PROFIT FOR THE YEAR	<i>Inspection</i>	31 560	✓

Award full marks for the final answers. Part marks for workings –even as final answer.  
 FOREIGN ITEMS – Any Balance Sheet Account on the statement (maximum -2)  
 All misplaced entries must be marked wrong.

## QUESTION 2

## PARTNERSHIPS

(60 marks ; 36 minutes)

2.1 Calculate the amounts denoted by (a) to (d) in the Current accounts of the partners.

(a)

$$60\,500 \times \frac{12}{11} = 66\,000$$

3

(b)

$$93\,625 - 66\,000 - 12\,775 = 14\,850$$

Or

$$180\,000 \times 9\% \times \frac{3}{12} = 4\,050$$

$$160\,000 \times 9\% \times \frac{9}{12} = 10\,800 = 14\,850$$

3 marks because it can be calculated from the ledger account

3

(c)

$$(120\,000 \times 9\%) \times \frac{8}{12} = 7\,200 \text{ or 2 marks}$$

$$(160\,000 \times 9\%) \times \frac{4}{12} = 4\,800 \text{ or 2 marks}$$

$$= 12\,000$$

Credit is given for calculations

5

(d)

12 710

69 600 ✓ (1 mark for the three amounts – all given)

12 775

12 000 ✓ (As per (c) above)

$$= 107\,085 - 69\,600 = 37\,485$$

4

2.2 Calculate the Net Profit for the year.

$$66\,000 + 69\,600 = 135\,600$$

$$14\,850 + 12\,000 = 26\,850$$

$$12\,775 + 12\,775 = 25\,550$$

$$= 188\,000$$

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## 2.3 Calculate Feint's percentage return on investment.

$$\frac{\begin{array}{c} \checkmark \text{ (for all three amounts or total)} \\ 66\,000 + 14\,850 + 12\,775 \\ \hline \frac{1}{2} (180\,000 + 160\,000 - 2\,260 + 30\,865) * \end{array}}{\begin{array}{c} \checkmark \\ \text{Total capital (1)} \end{array}} \times 100 = \frac{\begin{array}{c} 9\,362\,500 \\ 184\,302.5 \end{array}}{\begin{array}{c} \checkmark \\ \text{total current acc (1)} \end{array}} = 50.79 \text{ or } 50.8 \% \checkmark$$

\* must be denominator

6

## 2.4 Feint does not understand the significance of the answer above and asks for your advice. What explanation would you offer?

- The percentage above represents a high return – if compared to returns on alternative investments.
- I would comment on the current interest rate offered by banks.
- I would tell him to also focus on the percentage return of his partner, as well as the comparative figures of the previous year.
- He could also look at their respective capital contributions, their profit sharing ratio and their overall contribution to the running/management roles in the business.

*Any reasonable answer (good/satisfactory/weak) ✓✓✓*

3

## 2.4.1 Provide a suitable reason why Margin should be disappointed with the above transaction.

- Feint has taken a vehicle at far below its carrying value – resulting in a loss on disposal of asset
- Using his influence as a partner to manipulate decisions to his advantage – unfairly benefitting from this transaction.
- Similar benefit for Feint – not discussed (55 000 – 20 000 = 35 000)

*Any other explanation – one valid point ✓✓*

2

## 2.4.2 Describe the basic function of an internal auditor.

- Independent activity
- Investigate, analyse and evaluate the control mechanisms in place
- Test their compliance to what is generally accepted (policies/ethics)
- Note weaknesses and advise management on ways to improve.

*ONE valid points*

✓✓

2

## 2.4.3 Explain how an internal auditor would contribute to resolving issues like the one described in QUESTION 2.4 above.

- "Watchdog" someone who is constantly evaluating decisions and procedures and advising management about acceptable and unacceptable behaviour.
- Accountability and transparency principles – discussion before decisions are taken – consensus

*Any reasonable explanation (good/satisfactory/fair) ✓✓*

2

## 2.5 CAPITAL NOTE

	FEINT	MARGIN	TOTAL	
<b>Balance on 1 January 2010</b>	<b>180 000</b>	<b>120 000</b>	<b>300 000</b>	
Additions/Withdrawal of capital <i>Could be shown separately</i>	✓(20 000)	✓ 40 000	20 000	
Balance on 31 December 2010	☑160 000	☑ 160 000	☑ 320 000	<div>5</div>

## TRADE AND OTHER PAYABLES NOTE

Creditors Control	22 680	✓	
Income received in advance	4 520	✓	
Accrued expenses	6 650	✓	
SARS – PAYE and PENSION FUND	20 950	✓	
Short term portion on Loan	5 000	✓	
<i>Foreign items -1 (max -2)</i>	59 800	☑	<div>6</div>

## 2.6 FM DEALERS

## BALANCE SHEET AS AT 31 DECEMBER 2010

<b>ASSETS</b>			
<b>NON-CURRENT ASSETS</b>	NOTES	<b>384 700</b>	
Tangible Assets		<b>375 700</b>	
Financial Assets		<b>9 000</b>	
<b>CURRENT ASSETS</b>		<b>150 150</b>	
Inventories		<b>82 640</b>	
Trade and Other Receivables		<b>64 810</b>	
Cash and cash equivalents		<b>3 000</b>	
<b>TOTAL ASSETS</b>		<b>534 850</b>	
<b>EQUITY AND LIABILITIES</b>			
<b>Owner's Equity</b>		388 350	<input checked="" type="checkbox"/>
• Capital	<b>Note</b>	320 000	<input checked="" type="checkbox"/>
• Current Accounts (30 865✓ + 37 485 <input checked="" type="checkbox"/> )		68 350	<input checked="" type="checkbox"/>
<b>NON-CURRENT LIABILITIES</b>		75 000	
• Loan : xy Bank (80 000✓ – 5000)		75 000	<input checked="" type="checkbox"/>
<b>CURRENT LIABILITIES</b>	150 150/2,1	71 500	✓✓
• Trade and other Payables	<b>Note</b>	59 800	<input checked="" type="checkbox"/>
Short term portion of loan could be shown here (Award the allocated marks here)		11 700	<input checked="" type="checkbox"/>
<b>TOTAL EQUITY AND LIABILITIES</b>	Check total assets	534 850	✓

12

All misplaced items must be marked wrong.

60

## QUESTION 3

## BANK RECONCILIATION

(35 marks ; 21 minutes)

## 3.1.1 CASH RECEIPTS JOURNAL OF STORMERS TRADERS – JUNE 2011 CRJ6

DOC NO	D	DETAILS	F	ANALYSIS OF RECEIPTS	BANK	SUNDRY AMOUNTS	DETAILS OF SUNDRY ACCOUNTS
	30	<b>Total</b>			<b>17 763</b>		
b/s		CNB Stationers			✓✓ 27	27	Stationery ✓
		STARS			✓ 100	100	Drawings ✓
		UC Bank			✓✓ 330	330	Interest on investment ✓
					☑18 220	<i>Amount and detail for each mark</i>	

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## CASH PAYMENTS JOURNAL OF STORMERS TRADERS – JUNE 2011 CPJ6

DOC NO	D	NAME OF PAYEE	F	BANK		SUNDRY AMOUNTS	DETAILS OF SUNDRY ACCOUNTS
	30	<b>Total</b>		<b>15 960</b>			
b/s		V. Skalk		✓ 265		265	Debtors Control ✓
		CKS Insurers		✓ 180		180	Insurance ✓
		UC Bank		✓ 295		295	Bank Charges ✓
				☑16 700		<i>Amount and detail for each mark</i>	

7

## 3.1.2

## GENERAL LEDGER OF STROMERS TRADERS

## BANK (B7)

2011 Jun	1	Balance	b/d	✓10 220	2011 Jun	30	Total Payments		☑ 16 700
	30	Total Receipts		☑18 220			Balance	c/d	✓ 11 740
				☑28 440	<i>1 mark for both totals</i>				28 440
Jul	1	Balance	b/d	☑11 740					

6



## 3.1.3 BANK RECONCILIATION STATEMENT ON 30 JUNE 2011

		DEBIT	CREDIT
Dr balance as per Bank Account		<input checked="" type="checkbox"/> 11 740	
Cr deposit not yet recorded			✓ 15 000
Cr amount wrongly debited			✓ 540
Dr Outstanding Cheques	142	✓✓ 320	
	156	✓ 380	
	162	✓ 740	
Dr balance as per statement		<input checked="" type="checkbox"/> 2 360	
<i>For both totals</i>		<input checked="" type="checkbox"/> 15 540	15 540

9

## 3.2 The manager is concerned about the outstanding deposits. Suggest internal control mechanisms that can be implemented to overcome such situations.

- Deposit must be done within one day of receipts.
- Division of duties – a senior manager to do depositing accompanied by someone.
- Countersigning of deposit slips to correspond with journals.
- Daily reconciling of receipts and payments – journals and documents.
- Rotation of duties.

*Any reasonable explanation x 2* ✓✓ ✓✓

4

## QUESTION 4

## CASH BUDGETS

(45 marks ; 27 minutes)

## 4.1 DEBTORS COLLECTION SCHEDULE

MONTH OF SALES	CREDIT SALES		JUNE	JULY
APRIL	35 700 ✓		4 284 ✓	
MAY	33 600 ✓		18 480 ✓	4 032 ✓
JUNE	42 000 ✓		12 600 ✓	23 100 ✓
JULY	31 080 ✓			9 324 ✓
<b>CASH FROM DEBTORS</b>			35 364	36 456

10

## 4.2 CROCKLEY STATIONERS

## CASH BUDGET FOR THE PERIOD JUNE/JULY 2010

<b>CASH RECEIPTS</b>	<b>JUNE</b>	<b>JULY</b>
Cash from debtors	35 364 ☑	36 456 ☑
Cash Sales	<b>14 000</b>	10 360 ✓
Fixed Deposit	40 000 ✓	
Interest on Fixed Deposit	1 000 ✓✓	
<b>TOTAL RECEIPTS</b>	<b>90 364 ☑</b>	<b>46 816 ☑</b>
<b>CASH PAYMENTS</b>		
Cash purchases of Stock	<b>20 000</b>	14 800 ✓✓
Payments to Creditors	<b>15 200</b>	19 000 ✓✓
Sundry Expenses	<b>4 300</b>	4 300 ✓
Salaries and Wages	<b>16 000</b>	17 280 ✓✓
Motor Vehicle Expenses	<b>5 000</b>	5 000 ✓
Repayment of loan		20 000 ✓
Interest on loan	<b>1 200</b>	1 000 ✓✓
<b>TOTAL PAYMENTS</b>	<b>61 700</b>	81 380 ☑
<b>CASH SURPLUS/SHORTFALL</b>	28 664 ☑	(34 564) ☑
Bank (Opening Balance)	(2 144) ✓	26 520 ☑
<b>BANK (CLOSING BALANCE)</b>	26 520 ☑	(8 044) ☑

8

18

26

#### 4.3.1 Why is it necessary to prepare a Cash Budget? (Two points)

- Cash management – anticipating future income/expenses and planning for them.
- To justify certain expenditure – such as purchases of assets, etc.
- To assist with management decisions to expand, cut back, promote, etc.
- To determine trends – good or bad
- To motivate for loans/overdrafts

Any valid points x 2 ✓ ✓

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.

- Misuse of vehicle – staff – for personal use
- Unexpected increase in fuel price and/or maintenance costs
- Emergency repairs
- Increase in sales, and therefore, delivery – not foreseen

Any valid points x 2 ✓ ✓

2

#### 4.3.3 Is the business managing its cash resources efficiently? Motivate your response by quoting any TWO examples from the budget above. (with figures/amounts) from the budget.

Yes or No ✓

- Comments on collections from debtors (55% paying after 30 days)/payments to creditors (not taking advantage of 60 days credit as opposed to taking advantage of the discount).
- The use of the fixed deposit maturing (R40 000)– to pay a large portion of the loan (R20 000)
- High increase in salary + wages 8% (inflation is ± 4,5%)
- No provision for increasing sales (advertising) only June projection is high (R56 000)
- Ended with an overdraft R8 044 – will incur interest charges

Any TWO acceptable responses with figures quoted ✓✓ ✓✓  
Responses obviously based on learners calculations above

5

## QUESTION 5

## MANUFACTURING CONCERNS

(45 marks ; 27 minutes)

## 5.1.1 MULTIPLE CHOICE (Write the letter ONLY in each block)

(a) <b>C</b> ✓	(b) <b>B</b> ✓	(c) <b>A</b> ✓	
			<b>3</b>

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

Selling price:  $720\,225/4\,365 = 165$ Variable cost per unit:  $414\,675/4\,365 = 96$ 

✓  
 $299\,600$   
 $165 - 95$  (or 70 for 4 marks)  
 ✓✓ ✓✓  
 $= 4280$  units ✓ (Not Rands)

**6**

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

- Although the business did break even ( $4\,365 > 4\,280$ ), the margin is very small leading to a small net profit. ADVICE: There is a need to improve production – look at all the variables that would lead to a greater net profit, like cutting costs, cheaper labour, materials, reducing expenses, and also sales promotion, etc.

Any reasonable explanation (good/satisfactory/weak) ✓✓✓

**3**

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

 $299\,600 - 138\,095 = 161\,505/4\,365 = R37$   
 ✓        ✓        ✓\*    ☒

\* must be denominator.

**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.

- Economies of scale – an increase in production causes a decrease in fixed costs per unit
- Well trained/skilled workers (less wastage of water/electricity/consumables)
- More cost effective ways of production – requiring less time (mechanization)

Any valid response ✓✓

**2**

## 5.2.1 FACTORY OVERHEAD COST

Rent Expense	(66 900 x $\frac{2}{3}$ )	44 600	✓✓
Water and Electricity	(23 450 x 70%)	16 415	✓✓
Insurance	(8 600 ÷ 2)	4 300	✓✓
Salary – Factory Foreman		72 000	✓
Factory Indirect material	(9 870 ✓ + 33 330 ✓ – 6 200 ✓)	37 000	☑ ④
Depreciation of factory plant and machinery		12 400	✓
Sundry Factory expenses		10 285	✓
		197 000	☑

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5.2.2 GENERAL LEDGER OF CHENNAI PRODUCTS  
WORK IN PROCESS STOCK ACCOUNT

2010 Jul	1	Balance	b/d	22 220 ✓	2011 Jun	30	Finished Goods Stock Account		*615 000 ☑
2011 Jun	30	Direct Material Cost		300 600 ✓✓					
		Direct Labour Cost		114 080 ✓					
		Factory Overhead Cost		197 000 ☑			Balance	c/d	18 900 ✓
				633 900					633 900
2011 Jul	1	Balance	b/d	18 900					

\* balancing figure

7

## FINISHED GOODS STOCK ACCOUNT

2010 Jul	1	Balance	b/d	37 600 ✓	2011 Jun	30	Cost of sales ✓		*600 000 ✓✓
2011 Jun	30	Work-in-process stock account		615 000 ☑			Balance	c/d	52 600 ☑
				652 600					652 600
2011 Jul	1	Balance	b/d	52 600					

\*900 000 x 100/150

6

45	
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## QUESTION 6

## CLUBS AND INVENTORY RECORDING

(55 marks ; 33 minutes)

6.1.1 Taking into account the additional information, calculate the amounts for (a), (b) and (c) in the above ledger account.

(a)

$$\checkmark 800 - (\checkmark 160 \times 2) = 480 \text{ (or 2 marks)}$$

2

(b)

$$(480 \div 160 = 3 \text{ members})$$

$$\text{No. of members: } 42 - 3\checkmark + 8\checkmark = 47 \checkmark$$

$$47 \times 160\checkmark = 7\,520 \checkmark$$

5

(c)

Balancing figure:

$$\text{Debits: } 800 + 160 + 7\,520 = 8\,480 \checkmark\checkmark$$

$$\text{Credits: } 320 + 5\,760 + 480 + 160 = 6\,720 \checkmark\checkmark$$

$$8\,480 - 6\,720 = 1\,760 \checkmark$$

5

6.1.2 Give a suitable reason for "honorary" on the credit side of the account.

- A committee member (secretary/treasurer) used his/her honorarium to offset his/her fee.
- A correction of a posting error.

*Any reasonable explanation* ✓✓

2

6.1.3 (a) Calculate the number of members, whose fees are still outstanding on 31 December 2010.

- 1 760 ☒ ÷ 160 ✓\* = 11 members ☒

\* must be denominator

3

(b) Give TWO suggestions that the committee can use, to encourage members to pay their fees on time.

- Discounts for early payment. *Any valid, creative responses*
- Free entry to certain events.
- Club shirts/badges/ties if paid before a certain date. ✓✓ ✓✓
- Gifts and vouchers through sponsors

4

(c) How can the chairperson motivate members to show more interest in club activities? Provide TWO suggestions.

Work on a year plan, organize events with other clubs, evaluate members performance and reward members for reaching certain levels, league system, reward/acknowledge attendance, club colours, Workshops, outings/excursions, upgrading facilities, etc.

*Any valid and creative responses ✓✓ ✓✓*

4

### 6.2.1 Analysing Transactions.

NO	ASSETS		EQUITY		LIABILITIES	
	LEDGER ACCOUNT	AMOUNT	LEDGER ACCOUNT	AMOUNT	LEDGER ACCOUNT	AMOUNT
(a)			Purchases ✓	- 3 690 ✓	Creditors Control ✓	+ 3 690 ✓
(b)	Bank ✓	- 285 ✓	Carriage on Purchases ✓	- 285 ✓		
(c)			Creditors Allowances ✓	+ 320 ✓	Creditors Control ✓	- 320 ✓
(d)	Bank ✓	- 1 500 ✓			Creditors Control ✓	- 1 500 ✓
(e)	Trading Stock ✓	+ 6 240 ✓	Closing Stock ✓	+ 6 240 ✓		

20

6.2.2

(a) Name ONE other system that can be used to record stock.

- The perpetual inventory system ✓✓

2

(b) Identify TWO weaknesses (disadvantages) of the periodic system being used.

- Stock-take (count) to identify losses
- Stock-take to determine stock on hand (closing stock)
- Problem in determining shortages/ordering
- No continuous recording of stock movements

Any TWO explanations ✓✓ ✓✓

4

(c) Explain how the alternative stock recording system would assist in improving the control over stock.

- The stock records are updated continuously when stock is bought and/or sold
- The balance of the stock account must equal the actual stock
- Cost of sales and hence gross profit can be easily calculated
- Shortages/losses can be easily identified and will be of assistance in managing stock

Any TWO explanations ✓✓ ✓✓

4

55

TOTAL: 300