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**GRADE 11**

**NOVEMBER 2018**

**ACCOUNTING**

**MARKS: 300**

**TIME: 3 hours**



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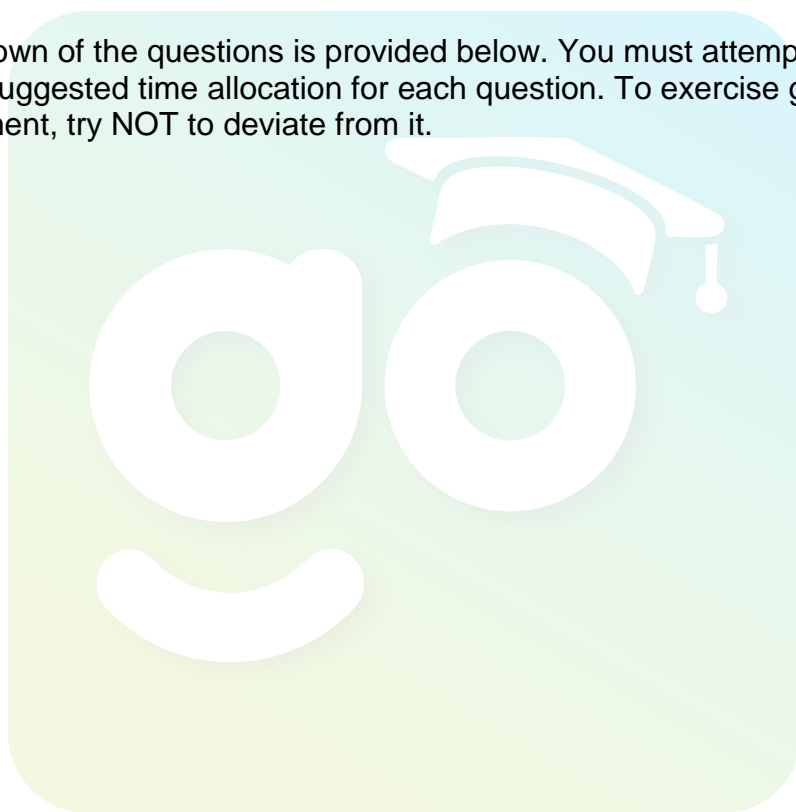
This question paper consists of 14 pages and a 12-page answer book.

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## INSTRUCTIONS AND INFORMATION

Read the following instructions carefully and follow them precisely.

1. Answer ALL the questions.
2. A special ANSWER BOOK is provided in which to answer ALL the questions.
3. Where applicable, workings must be shown in order to achieve part-marks.
4. You may use a non-programmable calculator.
5. You may use a dark pencil or black/blue ink to answer the questions.
6. Where applicable, all calculations must be rounded off to ONE decimal place.
7. 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.



<b>QUESTION 1: 40 marks; 25 minutes</b>	
<b>Main topic:</b>	<b>This question integrates:</b>
<b>Reconciliations</b>	<b>Financial accounting</b> <ul style="list-style-type: none"> <li>Bank and Creditors Reconciliation</li> </ul> <b>Managing Resources</b> <ul style="list-style-type: none"> <li>Internal control</li> </ul>

<b>QUESTION 2: 50 marks; 30 minutes</b>	
<b>Main topic:</b>	<b>This question integrates:</b>
<b>Income Statement</b>	<b>Financial accounting</b> <ul style="list-style-type: none"> <li>Preparing the Income Statement (with adjustments)</li> </ul>

<b>QUESTION 3: 60 marks; 35 minutes</b>	
<b>Main topic:</b>	<b>This question integrates:</b>
<b>Partnerships</b>	<b>Financial accounting</b> <ul style="list-style-type: none"> <li>Current account note</li> <li>Ratio analysis and interpretation</li> </ul>

<b>QUESTION 4: 50 marks; 30 minutes</b>	
<b>Main topic:</b>	<b>This question integrates:</b>
<b>Cost accounting</b>	<b>Managerial accounting</b> <ul style="list-style-type: none"> <li>Calculating costs and General Ledger</li> <li>Break-even analysis</li> </ul> <b>Managing Resources</b> <ul style="list-style-type: none"> <li>Internal control processes</li> </ul>

<b>QUESTION 5: 45 marks; 25 minutes</b>	
<b>Main topic:</b>	<b>This question integrates:</b>
<b>Budgeting</b>	<b>Managerial Accounting and managing resources</b> <ul style="list-style-type: none"> <li>Completing and analysing Projected Income Statement</li> <li>Internal control processes</li> </ul>

<b>QUESTION 6: 55 marks; 35 minutes</b>	
<b>Main topic:</b>	<b>This question integrates:</b>
<b>Clubs and Fixed Assets</b>	<b>Financial accounting</b> <ul style="list-style-type: none"> <li>Membership fees account of a sports club</li> </ul> <b>Managing resources</b> <ul style="list-style-type: none"> <li>Fixed asset management</li> <li>Internal control</li> </ul>

**QUESTION 1: RECONCILIATIONS****(40 marks; 25 minutes)**

1.1 Indicate whether the following statements are TRUE or FALSE. Write only 'true' or 'false' next to the numbers (1.1.1–1.1.4) in the ANSWER BOOK.

- 1.1.1 An internal auditor will want to inspect the Bank Reconciliation Statement at the end of each month.
- 1.1.2 A debit balance on the bank statement reflects an unfavourable balance.
- 1.1.3 Service fees, cash deposit fees and interest on overdraft are recorded as bank charges in the Cash Payments Journal.
- 1.1.4 A post-dated cheque issued will only be recorded in the Cash Payments Journal on the date reflected on the cheque. (4 x 1) (4)

**1.2 BANK RECONCILIATION – WINKLE TRADERS**

Information from the records for October 2018 is presented.

**REQUIRED:**

- 1.2.1 Show the entries that must be recorded in the cash journals by completing the table provided in the answer book. (10)
- 1.2.2 Prepare the Bank Reconciliation Statement on 31 October 2018. (10)
- 1.2.3 It is evident that the business does not exercise effective internal controls over the cash resources.
- Identify TWO problems from the information provided.
  - In each case, provide a solution for the problem identified. (6)

**INFORMATION:****A. Items from the Bank Reconciliation Statement on 30 September 2018.**

Balance on the Bank Statement	R 10 400 Cr
Outstanding deposits: Dated 10 September 2018	18 500
Dated 27 September 2018	15 300
Outstanding cheques: No. 883 (12 March 2018)	4 000
No. 1139 (22 September 2018)	11 400
No. 1265 (15 October 2018)	9 700
Balance as per Bank Account	19 100

- Cheque 883 was issued to Dimbaza Tennis Club for the owner's membership fees. The club no longer exist.
- Cheque 1139 appeared on the October 2018 bank statement.

- B.** A comparison of the records revealed the following differences:
- The outstanding deposit of R18 500 appeared on the bank statement.
  - The deposit of R15 300 did not appear on the bank statement. The cashier in charge of all cash transactions, Sue Drowzy, stated that she used some of the money to pay her child's school fees. She promised to deposit the entire amount on 1 November 2018.
  - Bank charges of R1 120 appeared on the bank statement only.
  - The bank statement reflected a dishonoured cheque for R6 250 originally received from debtor, M. Mo, to settle her account of R6 500.
  - Interest of R450 was credited on the bank statement.
  - Cheque No. 1322 issued to creditor, Bee Dealers, appeared correctly on the bank statement as R6 780. It appeared in the journal as R7 860.
  - A debit order of R530 for the monthly insurance appeared twice on the bank statement. The bank promised to rectify this next month.
  - The October 2018 CRJ also showed two outstanding deposits:  
R13 220 on 17 October 2018,  
R10 400 on 29 October 2018.
  - The following cheques from the CPJ were still outstanding:  
No. 1460, for R4 280 (dated 27 October 2018),  
No. 1496, for R5 730 (dated 23 November 2018).
  - The bank statement closed off with an unfavourable balance of R12 190.

### 1.3 CREDITORS RECONCILIATION

Umph Suppliers is a creditor of Power Traders. The August 2018 statement from Umph Suppliers reflected a closing balance of **R21 500**. The records of Power Traders reflected an outstanding balance of **R20 000**.

#### REQUIRED:

Complete the table provided to show the effect of each error/omission. Indicate whether each amount is a + or – and total each column.

(10)

#### ERRORS AND OMISSIONS NOTED:

- A.** An invoice for R4 450 was incorrectly reflected as R5 450 on the statement.
- B.** Power Traders recorded a 5% discount with the payment of R4 600. Umph Suppliers did not grant this discount, stating that the cheque was late.
- C.** An allowance of R520 for damaged goods was recorded as an invoice in the creditor's ledger account of Umph Suppliers in the books of Power Traders.
- D.** Power Traders reflected a credit invoice of R4 190 in the creditor's ledger account of Umph Suppliers. This was for goods purchased from Umteen Wholesalers.
- E.** A payment of R5 500 made on 28 August 2018 did not appear on the statement. The statement was received on 26 August 2018.

**QUESTION 2: INCOME STATEMENT****(50 marks; 30 minutes)**

The information relates to Vuzi Traders for the financial year ended 28 February 2018.  
Goods are sold at a profit mark-up of 70% on cost.

**REQUIRED:**

Prepare the Income Statement for the year ended 28 February 2018.

**(50)****INFORMATION:****A. PRE-ADJUSTMENT TRIAL BALANCE ON 28 FEBRUARY 2018:**

Loan: Liesel Bank		179 500
Fixed deposit: PJ Bank	240 000	
Trading stock	58 680	
Debtors control	48 775	
Provision for bad debts (1 March 2017)		3 070
Sales		2 362 575
Cost of Sales	1 389 750	
Salaries and wages	285 200	
Bad debts	8 770	
Water and electricity	27 360	
Bad debts recovered		2 180
Telephone	15 675	
Packing material	38 550	
Insurance	23 720	
Advertising	19 660	
Rent income		30 750
Sundry expenses	32 340	

**B. ADDITIONAL INFORMATION AND ADJUSTMENTS:**

- (i) Credit sales of R17 425 on 28 February 2018 has not been recorded.
- (ii) Trading stock on hand as per physical stock-take amounted to R49 540.
- (iii) Packing material used during the financial year totalled R27 300.
- (iv) No entry was made for R1 470 received from the insolvent estate of a debtor. This represented 35% of the outstanding debt.
- (v) Received R820 from debtor J. Black. His account was previously written off.
- (vi) Adjust the provision for bad debts to 4% of the debtors' balance.
- (vii) Provide for the outstanding interest on fixed deposit. Note that the fixed deposit was invested on 1 May 2017 at 8% p.a. interest.
- (viii) The telephone account for February 2018 was not yet paid, R1 245.
- (ix) Insurance of R280 per month was paid for three months in advance.
- (x) Advertising includes R3 480 for a six-month contract from 1 November 2017.
- (xi) Rent income includes the rent up to 31 May 2018. The storeroom was only rented out from 1 January 2018.
- (xii) The loan statement from Liesel Bank reflected that R210 500 was still due. Interest on the loan is capitalised.



**QUESTION 3: PARTNERSHIPS****(60 marks; 35 minutes)**

The information relates to TX Traders (with partners Thandi and Xola) for the financial year ended 28 February 2018.

**REQUIRED:**

- 3.1 Complete the Current Account note by filling in the missing amounts. (25)
- 3.2 Calculate the following financial indicators for the year ended 28 February 2018:
- 3.2.1 Current ratio (3)
- 3.2.2 Average debtors' collection period (6)
- 3.2.3 Partner Xola's return on equity (7)
- 3.2.4 Debt/equity ratio (4)
- 3.3 Comment on the liquidity of the business. Quote TWO financial indicators (with figures) to support your comment. (6)
- 3.4 Partner Xola suggested that the partnership increase the loan by R200 000 to finance the extensions to the buildings. Thandi disagrees stating that she is concerned about the unlimited liability principle.
- 3.4.1 Explain Thandi's concern about the 'unlimited liability' principle. (3)
- 3.4.2 Provide TWO points to support Xola's suggestion. Quote ONE financial indicator (with figures) in your motivation. (6)

**INFORMATION:****A. Information extracted from the financial statements:**

	28 February 2018	1 March 2017
Capital: Thandi	800 000	800 000
Capital: Xola	1 000 000	900 000
Current Account: Thandi	?	22 320 Cr
Current Account: Xola	?	17 670 Dr
Drawings: Thandi	148 800	
Drawings: Xola	127 100	
Loan: Swazi Bank	800 000	800 000
Total Current Assets	407 340	
Debtors Control	167 300	219 200
Total Current Liabilities	226 300	
Sales	2 136 000	
Net profit for the year	471 250	



**B.** The partnership agreement makes provision for the following:

- Salaries:  
Thandi is entitled to a monthly salary allowance of R12 400.  
Xola receives 2,5% more than Thandi's allowance.
- Interest on Capital is provided for at 8% p.a. on capital balances.  
Xola has increased her capital on 1 December 2017.
- Thandi is entitled to a production bonus of 0,5% of turnover (sales).
- Profits/Losses are shared in the ratio of capital balances.  
The change in capital was not considered for the current financial year.

**C.** Credit sales accounts for 75% of total sales.

**D.** The following financial indicators were calculated on 28 February:

	2018	2017
Current ratio	?	2,2 : 1
Acid test ratio	0,8 : 1	1,2 : 1
Average debtors' collection period	?	40 days
Debt/equity ratio	?	0,5 : 1

**QUESTION 4: COST ACCOUNTING****(50 marks; 30 minutes)****4.1 STRUMPHER MANUFACTURERS**

Strumpher Manufacturers produces rugby balls which are supplied to local schools and retailers in the Despatch area. The financial year ends on 28/29 February each year.

**REQUIRED:**

4.1.1 Calculate the following for the financial year:

- Direct material cost (7)
- Direct labour cost (5)

4.1.2 Record the following transactions in the General Ledger:

- Work-in-progress stock (10)
- Finished goods stock (6)

4.1.3 The owner is concerned about the control of workers in production. Provide TWO points that justify his concern. Quote relevant figures. (6)

**INFORMATION:****A. Stock balance:**

	28 FEBRUARY 2018 R	1 MARCH 2017 R
Raw material	38 700	23 400
Work-in-progress	60 000	45 300
Finished goods	22 000	27 000

**B. Transactions for the year:**

- (i) Raw material for R342 600 was purchased on credit.
- (ii) Damaged raw material worth R15 700 was sent back to creditors.
- (iii) Cash purchases of raw material amounted to R155 000.
- (iv) Delivery cost on cash purchases of raw material, R19 400.
- (v) Total factory overheads for the year amounted to R273 340.

**C. Details of workers in production:**

Number of workers	4
Normal hours worked (basic)	1 440 hours per worker
Normal time as per contract	40 hours per week; 45 weeks per year
Normal time rate	R35 per hour
Total overtime hours worked	640 hours
Overtime paid	R33 600

The business contributes 1% to the UIF and 9% to the pension fund on behalf of all employees.

**4.2 JOLENE AND JUANE DOLLS**

The partnership manufactures dolls. The financial year ended on 30 April 2018. The mark-up percentage on cost is 50%.

**REQUIRED:**

- 4.2.1 Calculate the break-even point and comment on your findings. (10)
- 4.2.2 Did the business achieve the targeted gross profit on sales? Provide a calculation to support your opinion. (6)

**INFORMATION:****A. Details of the cost accounts:**

		UNIT COST	TOTAL AMOUNT
Direct material	Variable cost	?	R71 400
Direct labour	Variable cost	R23	?
Administration	Fixed cost	R12	R30 600
Selling and distribution	Variable cost	R14	R35 700
Factory overheads	Fixed cost	R18	R45 900

- B.** 2 550 dolls were made and sold during the financial year.
- C.** Total sales amounted to R242 250.

## QUESTION 5: BUDGETING

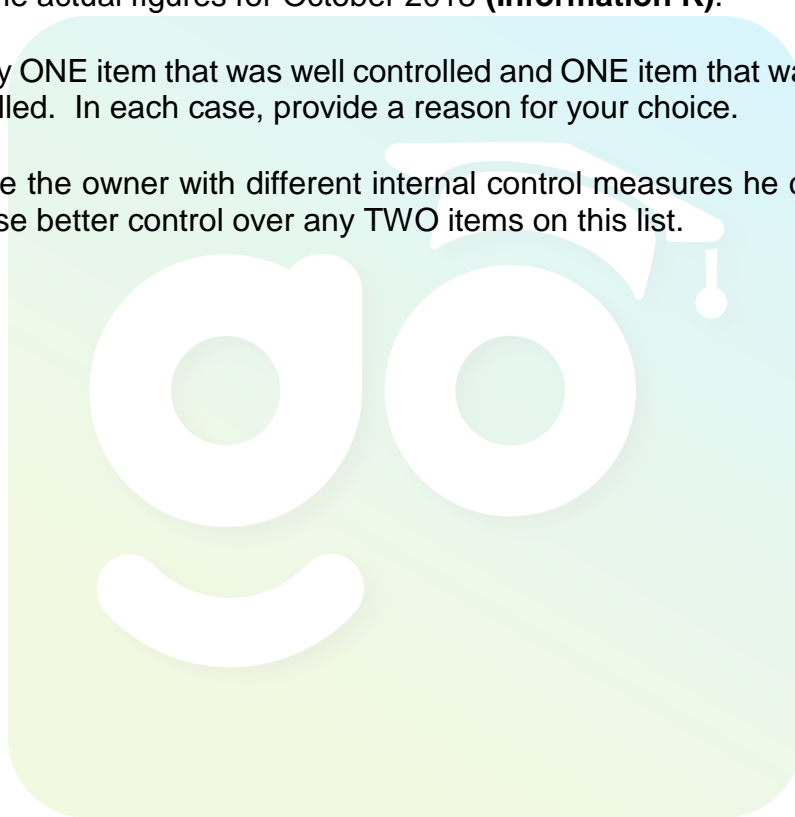
(45 marks; 25 minutes)

### KULFI TRADERS

Information from the records is for the budget period ended 31 December 2018.

#### REQUIRED:

- 5.1 Calculate the percentage of goods sold on credit during December 2018. (4)
- 5.2 Complete the Debtors Collection Schedule for December 2018. (8)
- 5.3 Prepare the Cash Budget for December 2018. (23)
- 5.4 Refer to the actual figures for October 2018 (**Information K**).
  - Identify ONE item that was well controlled and ONE item that was not well controlled. In each case, provide a reason for your choice. (6)
  - Provide the owner with different internal control measures he can use to exercise better control over any TWO items on this list. (4)



**INFORMATION:**

- A. Total sales figures for the budget period ended 31 December 2018:**  
Goods are sold at a profit mark-up of 50% on cost.

MONTH	ACTUAL		BUDGETED	
	CASH	CREDIT	CASH	CREDIT
October	38 400	57 600		
November	43 200	64 800		
December			48 000	72 000

- B. Credit sales are collected according to the following trend:**

- 40% in the month of sale (these debtors receive a 5% discount).
- 40% in the month following the month of sale
- 18% two months after the sales month
- 2% is written off as bad debts.

- C. Purchases of stock:**

- Stock sold is replaced in the month of sale (a base stock is maintained).
- All purchases of trading stock are made on credit.
- Creditors are paid in the month following the month of purchase.

- D.** The three shop assistants each earn R10 100 per month. During December 2018, two of the three shop assistants will also receive their annual bonuses of 80% of their monthly salary.

- E.** Total rent income for the previous financial year was R139 680. The rent is expected to increase by 5% on the 1 December 2018.

- F.** The owner agreed to monthly drawings of R2 600. This comprises R1 800 cash and the balance in trading stock.

- G.** Interest on fixed deposit amounts to R9 600 per year. This is received in three equal instalments on 30 September 2018, 31 December 2018 and 31 March 2019.

- H.** Operating expenses amount to R18 000 per month and is paid by cheque.

- I.** Bank charges averages R1 620 per month.

- J.** The bank balance on 30 November 2018 was R98 330 (favourable).

- K. Actual and budgeted figures for October 2018:**

	BUDGETED	ACTUAL
Drawings	R1 800	R1 500
Repairs and maintenance	R5 000	R1 200
Advertising	R3 600	R3 650
Rent Income	R11 640	R5 000

**QUESTION 6: CLUBS AND FIXED ASSETS****(55 marks; 35 minutes)****6.1 SPORTS CLUBS**

The membership records of Mount Coke Hiking Club for the financial year ended 31 December 2017 is presented.

**REQUIRED:**

- 6.1.1 Prepare the Membership Fees account in the General Ledger. Show the workings for part marks. (20)
- 6.1.2 New members are not satisfied with the fee structure for new members.
- Explain why they feel this way. Provide ONE point. (2)
  - Provide a solution to solve this problem. (2)

**INFORMATION:****A. Extract from the post-closing trial balance on 31 December 2016.**

	DEBITS	CREDITS
Accrued income: membership fees	5 400	
Income received in advance: membership fees		1 500

**B. Extract from the cash journals for the year ended 31 December 2017.**

<b>Membership fees collected:</b>	<b>61 500</b>
• 2016 membership fees received	3 600
• 2017 membership fees received	55 200
• Membership fees received for 2018	2 700
<b>Membership fee refunds</b>	<b>450</b>

**C. Details of Membership fees:**

- Membership fees amount to R300 per member per year.
- New members joining before June pay the full amount. Those joining after June pay half the membership fees.
- On 31 December 2016, there were 210 members registered.
- The outstanding 2016 fees must be written off. Defaulting members must be expelled, effective from 1 January 2017.
- On 6 April 2017, 14 new members joined the club. They paid their entrance fees and membership fees in full.
- On 30 September 2017, 8 new members joined the club. They also met their financial obligations.
- The secretary requested that part of his honorarium of R500 be retained by the club to cover his membership fees. This was granted.
- Three members who paid their fees in full resigned on July 2017. The Committee decided to give each member a refund of half the fees.
- Some members did not pay their fees for 2017.



**6.2 FIXED ASSET MANAGEMENT**

The information presented, appeared in the books of Shirley's Delivery Services. The business is owned by Shirley May. She provides a delivery service for local furniture businesses. The financial year ended on 28 February 2018.

**REQUIRED:**

- 6.2.1 Calculate the total depreciation on vehicles and on equipment. (9)
- 6.2.2 Complete the Fixed Asset note by filling in the missing amounts. Some amounts are included on the note. (9)
- 6.2.3 Shirley suspects that some of the drivers are using the vehicles for their private purposes.
- Provide TWO points to justify her concern. Quote figures. (6)
  - Give Shirley TWO points of advice on how she can exercise better control over the use of the vehicles. (4)
- 6.2.4 The six drivers are dissatisfied with their salary increase and are planning a strike. Are they justified? Explain. (3)

**INFORMATION:**

- A. On 1 March 2017, the business owned six delivery vehicles. On 1 June 2017, the business purchased an additional delivery vehicle.
- B. On 28 February 2018, old equipment was donated to a local school.
- C. Vehicles are depreciated at 20% p.a. on cost and equipment is depreciated at 15% p.a. on carrying value.
- D. **Additional information relating to fixed assets:**

	28 February 2018	1 March 2017
Delivery vehicles (cost)	1 090 000	924 000
Accumulated depreciation on vehicles	?	554 400
Equipment (cost)	335 000	380 000
Accumulated depreciation on equipment	165 340	167 000
Repairs and maintenance on vehicles	45 220	32 300
Petrol and oil	114 100	65 200
Salaries to drivers	408 240	388 800
Sales	932 400	740 000