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GRADE 11

NOVEMBER 2016

ACCOUNTING

MARKS: 300

TIME: 3 hours



This question paper consists of 16 pages and a 15 page answer book.

INSTRUCTIONS AND INFORMATION

1. Answer ALL the questions in the answer book provided.
2. Where applicable, workings must be shown in order to achieve part-marks.
3. Non-programmable calculators may be used.
4. You may use a dark pencil or black/blue ink to answer the questions.
5. Where applicable, all calculations must be rounded off to ONE decimal place.
6. 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.

QUESTION 1: 60 marks; 36 minutes	
Main topic of the question:	This question integrates:
Cost accounting - Manufacturing	Managerial accounting <ul style="list-style-type: none"> • Concepts, cost calculations and ledger accounts • Unit cost and break-even analysis

QUESTION 2: 40 marks; 24 minutes	
Main topic of the question:	This question integrates:
Reconciliations, Internal Control and VAT	Financial accounting <ul style="list-style-type: none"> • Creditors' reconciliation • VAT – concepts and calculations Managing resources <ul style="list-style-type: none"> • Internal controls and ethics

QUESTION 3: 70 marks; 42 minutes	
Main topic of the question:	This question integrates:
Fixed Assets and Financial Statements	Financial accounting <ul style="list-style-type: none"> • Concepts, Income Statement, Balance Sheet and notes Managing resources <ul style="list-style-type: none"> • Depreciation, calculations and fixed assets management

QUESTION 4: 40 marks; 24 minutes	
Main topic of the question:	This question integrates:
Partnerships - Ledger accounts and Interpretation	Financial accounting <ul style="list-style-type: none"> • Concepts, Current Account, Financial Indicators and Interpretation

QUESTION 5: 35 marks; 21 minutes	
Main topic of the question:	This question integrates:
Budgeting	Managing Resources <ul style="list-style-type: none"> • Completing and analysing Projected Income Statement • Internal control processes

QUESTION 6: 55 marks; 33 minutes	
Main topic of the question:	This question integrates:
Clubs, Stock Systems and Problem Solving	Financial accounting <ul style="list-style-type: none"> • Membership fees account of a sports club Managing resources <ul style="list-style-type: none"> • Perpetual and periodic stock systems • Problem solving

QUESTION 1: COST ACCOUNTING - MANUFACTURING (60 marks; 36 minutes)

- 1.1 Match the terms in column A with the examples provided in column B. Write only the letter (A to E) next to each question number in the ANSWER BOOK (e.g.: 1.1.1 E).

COLUMN A		COLUMN B	
1.1.1	Selling and distribution cost	A	Wood used to make the desks
1.1.2	Direct material cost	B	Advertising expense
1.1.3	Factory overhead cost	C	Office stationery expense
1.1.4	Administration cost	D	Factory rent expense
1.1.5	Direct labour cost	E	Production wages

(5)

1.2 BEECUM BUILDERS

Beecum Builders manufactures school desks. The information presented relates to the financial year ended 29 February 2016.

REQUIRED:

- 1.2.1 Calculate the following:
- Direct material cost (6)
 - Direct labour cost (7)
- 1.2.2 Complete the table for **factory overhead** cost. (10)
- 1.2.3 Post to the **Work-In-Process Stock** account in the general ledger. (8)
- 1.2.4 Calculate the gross profit earned for the financial year ended 29 February 2016. (8)

INFORMATION:**A. Stock balances:**

	29 FEBRUARY 2016 (R)	1 MARCH 2015 (R)
Raw material	34 530	23 500
Work-in-process	26 600	27 270
Finished goods	42 600	37 275
	240 desks	210 desks

B. Transactions during the year:

	(R)
Cash and credit purchases of raw material	488 400
Transport cost on raw material	14 230
Defective raw material returned to suppliers	8 600
Cash purchases of factory indirect material	23 750
Production wages	?
Salary and wages	213 800
Rent expense	278 400
Insurance	46 800
Water and electricity	134 900
Factory sundry expenses	38 699

C. **Production wages:**

Number of employees	5	
Normal time (hours per employee)	1 840 hours	
Overtime (hours worked per employee)	77 hours	
Normal time rate	R45,60	
Overtime rate	1,5 times the normal rate	
Deductions and contributions:		
	EMPLOYEE	EMPLOYER
Pension Fund	7% of basic	9% of basic
Unemployment Insurance Fund (UIF)	1% of basic	1% of basic

- D. Consumable stores used in the factory amounted to R22 450.
- E. Indirect labour inclusive of benefits totalled R81 000.
- F. The rent expense must be apportioned between the factory, sales department and the office in the ratio 5 : 2 : 1.
- G. 75% of water and electricity must be allocated to the factory.
- H. $\frac{2}{3}$ of the insurance expense is for the factory.
- I. During the year, 8 000 desks were produced at a cost of R177,50 per unit. Desks are sold at a fixed selling price of R250 each.

1.3/...

1.3 ZONDO MANUFACTURERS

Zondo manufactures plastic stationery bags for matriculants. The information below is from their records for the financial year ended 30 June.

REQUIRED:

- 1.3.1 Calculate the amounts denoted by **(a)** and **(b)** in the information. (4)
- 1.3.2 Verify the break-even number of units for the financial year ended 30 June 2016 by showing a calculation. (4)
- 1.3.3 Comment on the break-even point and the level of production for both years. Quote relevant figures in your comment. (4)
- 1.3.4 Provide a valid reason for the change in direct material cost per unit. (2)
- 1.3.5 Give ONE suggestion that the business can use to improve production and profitability. Quote figures. (2)

INFORMATION:

	30 JUNE 2016		2015
	TOTAL COST	UNIT COST	UNIT COST
Fixed costs	?	25,00	23,50
Factory overhead cost	224 640	18,00	17,00
Administration cost	(a)	7,00	6,50
Variable costs	?	?	59,50
Direct labour cost	349 440	28,00	25,60
Direct material cost	374 400	(b)	25,00
Selling and distribution cost	106 080	8,50	8,90

Number of units produced and sold	12 480		11 800
Selling price per unit	R92,50		R83,00
Break-even number of units	12 000		11 800

QUESTION 2: RECONCILIATIONS, INTERNAL CONTROLS and VAT**(40 marks; 24 minutes)****2.1 CREDITORS' RECONCILIATION**

Dolphin Stores received a statement of account from creditor, Titan Suppliers.

REQUIRED:

- 2.1.1 Reconcile the account of Titan Suppliers in the Creditors Ledger of Dolphin Stores, with the statement received. Show negative amounts in brackets. (16)
- 2.1.2 Invoice 780 on the 12 July 2016, was for goods purchased by the owner for his personal use. What advice would you offer him about this transaction? Quote a relevant GAAP principle in your response. (3)
- 2.1.3 The internal auditor wants to improve the internal control of stock and creditors. Provide TWO control measures that he may consider. (4)

INFORMATION:

**A. Creditors Ledger of Dolphin Stores
Titan Suppliers (CL6)**

DATE	DETAILS	FOL	DEBIT	CREDIT	BALANCE
July 1	Account rendered/Balance	b/d			37 420
5	Invoice No. 154	CJ		7 830	45 250
8	Debit Note No. 43	CAJ		520	45 770
12	Invoice No. 780	CJ		2 500	48 270
16	Cheque No. 887	CPJ	12 500		35 770
	Discount received	CPJ	625		35 145
27	Invoice No. 991	CJ		3 560	38 705

B Statement of account received from Titan Suppliers

TITAN SUPPLIERS				
To : Dolphin Stores Peddie			No : 1123	
			25 July 2016	
DATE		DETAILS	AMOUNT	BALANCE
July	1	Balance		37 420
	5	Invoice No. 154	8 730	46 150
	8	Credit Note No. 90	(520)	45 630
	16	Receipt No. 6651	(12 500)	33 130
	24	Credit Note 112	(375)	32 755
	25	Interest on overdue account	248	33 003
E&OE				
Statement includes transactions up to 25 July 2016				

C. Additional information:

- (i) Invoice No. 154 was recorded incorrectly on the statement.
- (ii) The goods returned on the 8th was posted incorrectly in the creditors' ledger account.
- (iii) Invoice No. 780 in the creditors' ledger was for goods purchased from another supplier, Titanic Stores.
- (iv) Titan Suppliers did not grant a discount for the payment on the 16th stating that the payment was too late to qualify for the discount.
- (v) Credit Note No. 112 on the statement was an error on the statement. Goods were not returned by the business.
- (vi) Interest on overdue account must still be taken into account

2.2 VALUE ADDED TAX (VAT)

2.2.1 Indicate whether the following statements are **True** or **False**.

- (a) All formal businesses must be registered for VAT.
- (b) Registered businesses must submit their VAT returns every month.
- (c) Salaries and wages are exempted from VAT. (3)

2.2.2 Choose the correct answer from those within brackets.

- (a) VAT paid to suppliers for the purchase of stock is referred to as **(input VAT / output VAT)**.
- (b) VAT is payable to **(SARS / SARB)**. (2)

2.2.3 Calculate the missing amounts on the table provided. Note that the standard VAT rate is 14%.

AMOUNT EXCLUDING VAT	VAT AMOUNT	AMOUNT INCLUDING VAT
14 500	(a)	(b)
(c)	(d)	40 584

(8)

2.2.4 Ernest Polle purchases goods on a regular basis from Pinetown Wholesalers. The store manager of Pinetown Wholesalers has offered Ernest a special price of R56 800, inclusive of VAT, instead of the normal price of R76 200 for trading inventory, provided that Ernest pays cash and does not require any documentation.

- What advice would you offer Ernest about this transaction? Explain. (4)

QUESTION 3: FIXED ASSETS AND FINANCIAL STATEMENTS**(70 marks; 42 minutes)**

The following information was taken from the records of Monday Traders, with partners Mona and Daysee. The financial year ended on 29 February 2016.

REQUIRED:

- 3.1 Complete the following accounts in the general ledger:
- 3.1.1 Accumulated depreciation on equipment (12)
- 3.1.2 Asset disposal account on 31 October 2015 (10)
- 3.2 Prepare the **Trade and Other Receivables** note for the Balance Sheet. (8)
- 3.3 Complete the **Income Statement** for the year ended 29 February 2016. (40)

INFORMATION:

- A. Balances and totals on 29 February 2016 (unless otherwise indicated):

	R
Buildings	963 000
Equipment (cost)	367 000
Accumulated depreciation on equipment (1 March 2015)	172 500
Loan : Kewl Bank	709 400
Fixed deposit: Oryt Bank (8,5% p.a.)	120 000
Trading stock	224 330
Debtors control	48 220
Provision for bad debts (1 March 2015)	1 420
Sales	852 000
Cost of sales (profit mark-up is 50% on cost)	?
Rent income	42 500
Commission income	19 440
Sundry operating income	7 760
Interest on investment	7 650
Salary and wages	141 360
Consumable stores	9 370
Bad debts	3 980
Insurance	14 740
Repairs and maintenance	13 930
Sundry operating expenses	10 660

- B. The fixed assets comprise of Buildings and Equipment.

On 31 October 2015, old equipment was traded-in to upgrade old equipment. The transaction was not recorded. Details of the transaction is as follows:

Cost of the new equipment purchased	R165 000
Cost of the old equipment traded-in	R93 500
Accumulated depreciation on this equipment on 1 March 2015	R62 000
The trade-in value received	R29 600

Equipment is depreciated at 20% p.a. on the diminishing balance method.

- C. Additional adjustments not taken into account

- (i) Outstanding debts totalling R3 220 must be written off and the provision for bad debts must then be adjusted to 4% of debtors.
- (ii) The rent for February was not yet received. Take into account that the tenant was granted R1 500 reduction in rent during November 2015 due to repairs being done to the buildings.
- (iii) A fire insurance policy was entered into on 1 July 2015. The annual premium of R7 020 was paid in full.
- (iv) The February 2016 loan statement showed an outstanding balance of R742 000. Interest on loan is capitalised. A fixed instalment including interest is paid on 27th of each month.
- (v) Interest on fixed deposit must be taken into account. The money was invested in June 2012. Interest is not capitalised.
- (vi) The annual stock take revealed that R2 460 worth of stock was missing. Unused consumable stores amounted to R880.
- (vii) Repairs to the building for R5 320 was posted in error to the Buildings account.

QUESTION 4 PARTNERSHIPS – LEDGER ACCOUNTS AND INTERPRETATION
(40 marks; 24 minutes)

Fountain Traders is a partnership business owned by partners Lyanda and Keenan. The financial year ended on 31 August 2016.

REQUIRED:

- 4.1 Prepare the **Current Account: Keenan** on 31 August 2016. (9)
- 4.2 Calculate the following financial indicators on 31 August 2016.
 - 4.2.1 Acid test ratio (4)
 - 4.2.2 Debt/equity ratio (3)
 - 4.2.3 Percentage return earned by the partners (7)
- 4.3 The partners are concerned about the liquidity position of the business. Explain why they feel this way. Quote TWO financial indicators (with figures) to support your explanation. (6)
- 4.4 Comment on the percentage return earned by Partner Lyanda. Should she be satisfied with this percentage? Explain, quote relevant financial indicators and/or figures. (5)
- 4.5 Partner Keenan feels that the business should increase the loan. Partner Lyanda is not keen to incur more debt. Briefly explain who you would support. Provide TWO financial indicators (with figures) to motivate your choice. (6)

INFORMATION:

A. Balances extracted from the financial records:

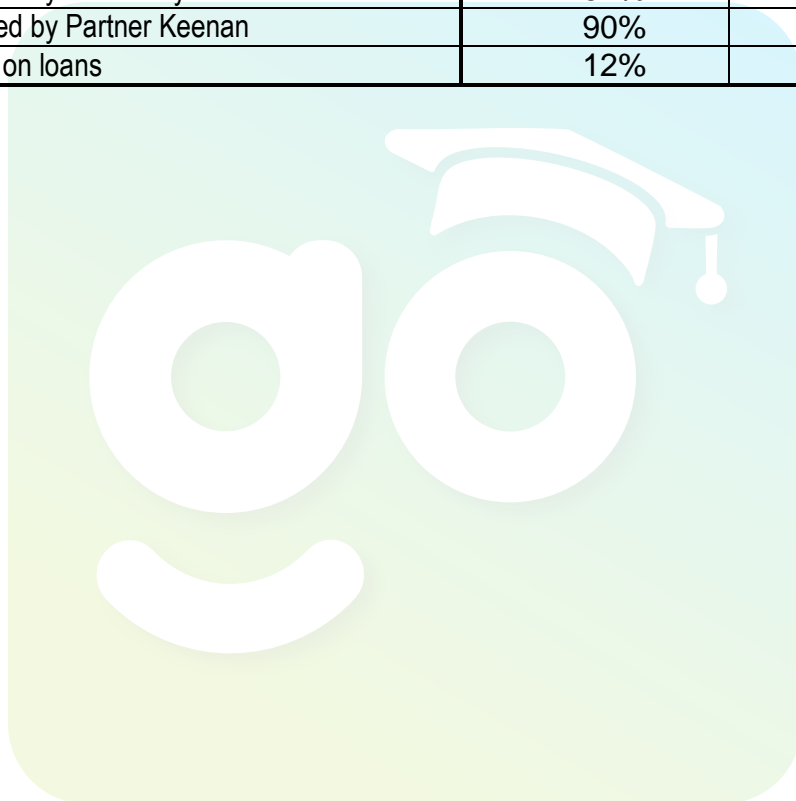
	31 AUGUST 2016	31 AUGUST 2015
Fixed deposit	100 000	125 000
Current assets including inventories	165 600	176 200
Inventories	62 200	54 000
Partners' equity	1 700 000	1 270 300
Capital : Lyanda	875 000	500 000
Capital : Keenan	675 000	750 000
Current Account : Lyanda	45 150 (Cr)	12 400 (Dr)
Current Account : Keenan	104 850 (Cr)	32 700 (Cr)
Mortgage loan (12% p.a.)	425 000	762 180
Current liabilities	66 240	58 700

B. Information from the Current account note on 31 August 2016:

	PARTNER LYANDA	PARTNER KEENAN
Annual salary allowance	265 200	225 216
Interest on capital	78 750	60 750
Bonus	-	13 784
Drawings for the year	322 400	?
Partners share of the remaining profit	36 000	?

- C. The total primary distribution amounted to R643 700.
- D. The partners share the remaining profit/loss in the ratio 2 : 1 between Lyanda and Keenan respectively.
- E. Financial indicators on 31 August:

	2016	2015
Current ratio	2,5 : 1	3 : 1
Acid test ratio	?	2 : 1
Stock turnover rate	11,2 times	9,4 times
Average debtors collection period	38 days	33 days
Debt/equity ratio	?	0,6 : 1
Return on average capital employed	33,5%	30,3%
Return earned by the partners	?	40,5%
Return earned by Partner Lyanda	54%	56%
Return earned by Partner Keenan	90%	84%
Interest rate on loans	12%	12%



QUESTION 5: BUDGETING**(35 marks; 21 minutes)**

The abridged Projected Income Statement of Thando Traders for the three months ended December 2016 is produced below.

REQUIRED:

- 5.1 List TWO items in the Projected Income Statement below, that will not appear in a Cash Budget. (2)
- 5.2 Complete the Debtors Collection Schedule to show the total amount expected to be received from debtors during November 2016. (7)
- 5.3 Calculate:
 - 5.3.1 Expected sales in December 2016 (3)
 - 5.3.2 The gross profit percentage on turnover for October 2016 (3)
 - 5.3.3 The percentage increase in rent income (4)
 - 5.3.4 The percentage commission expected to be received each month (2)
 - 5.3.5 The insurance amount for each month (3)
 - 5.3.6 The amount of the loan that will be repaid on 1 December 2016 (5)
- 5.4 **Refer to Information G** (budgeted and actual figures for November 2016):
Comment on the variance for each item given. In each case, provide ONE point of advice that the business can use. (6)

INFORMATION:

- A. **Abridged Projected Income Statement of Thando Traders for the three months ended 31 December 2016**

	OCTOBER 2016	NOVEMBER 2016	DECEMBER 2016
Sales	98 000	102 900	?
Cost of sales	78 400	82 320	?
Gross profit	19 600	20 580	?
Other operating income	12 220	12 465	?
Rent income	6 500	6 500	7 280
Discount received	820	820	820
Commission income	4 900	5 145	?
Gross operating income	31 820	33 045	38 970
Operating expenses			
Salaries and wages	8 400	8 400	?
Insurance	?	?	?
Depreciation	?	?	?
Advertising	5 200	5 200	5 200
Bad debts	1 800	1 960	?
Telephone	3 300	3 300	3 300
Sundry expenses	1 250	1 260	1 270
Operating profit			
Interest on loan	2 500	2 500	2 000
Net profit (loss)			

- B. All sales are on credit. Sales in December is expected to increase by 20%.
- C. Debtors are granted 30 days credit. Receipts is normally as follows:
- 45% of debtors pay their accounts in the month of sales
53% of debtors pay their accounts in the month following the month of sales
2% of debtors is normally written off as bad debts
- D. Commission income is expected to be a fixed percentage of sales.
- E. The insurance premium is paid every quarter. The last payment of R2 400 was made on 30 September 2016.
- F. Interest on loan at 10% p.a. is paid at the end of each month.
- G. The accountant provided the actual and budgeted figures for the following items for November 2016:

	NOVEMBER 2016	
	BUDGETED	ACTUAL
Sales	102 900	82 320
Advertising	5 200	1 500
Telephone	3 300	5 450

QUESTION 6: NON-PROFIT ORGANISATIONS, STOCK SYSTEMS and PROBLEM SOLVING
(55 marks; 33 minutes)

6.1 CLUBS – MEMBERSHIP FEES ACCOUNT

You are provided with information from the records of Fore! Golf Club for the financial year ended 31 December 2015.

REQUIRED:

- 6.1.1 Provide the missing details denoted by **(a)** to **(d)** on the Membership Fees account provided. (4)
- 6.1.2 Fill in the missing amounts for **(e)** and **(f)** on the Membership Fee account. (4)
- 6.1.3 Calculate:
- The fees that was written off on 31 December 2015 (3)
 - The number of members in arrears with their 2015 fees (3)
 - The amount that must be transferred to the Income and Expenditure account in respect of Membership Fee income (8)
- 6.1.4 The chairman feels that membership is not being effectively controlled.
- Provide evidence from the information that confirms the chairman's observation (Give TWO points). (4)
 - Provide TWO suggestions to solve the problem. (2)

INFORMATION:

A. Membership records:

- (i) The annual membership fees is R2 400 per member. This was increased by R300 p.a. on 1 June 2015. Members who pay before 1 June 2015 pay the old fee.
- (ii) On 1 January 2015, there were 280 members on the club register.
- (iii) The cash book showed that old members who paid their fees did so before 1 June 2015.
- (iv) 12 new members joined the club on 1 February 2015 and 8 new members joined on 1 October 2015. New members only pay for the unexpired months in the first year of registration.
- (v) 9 old members resigned during January 2015. Two of these members paid their fees in full. The committee decided to give them a full refund.
- (vi) The outstanding fees for 2014 must be written off and the defaulting members must be excluded from the club records.
- (vi) The committee voted a R2 700 reward for the secretary. She decided to off-set her membership fee with this amount.

B. The incomplete Membership Fee account:

**GENERAL LEDGER OF FORE! GOLF CLUB
MEMBERSHIP FEES ACCOUNT**

2015 Jan	1	(a)		31 200	2015 Jan	1	(b)		9 600
Dec	31	Deferred income		(e)	Dec	31	Bank: 2014		16 800
		(c)		(f)			2015		?
		Income and expenditure		?			2016		13 500
							Accrued income		35 100
							(d)		2 700
							Membership fees written off		?

6.2 STOCK SYSTEMS

Bezzie's Centre sells fabric and dress making products. The business uses the periodic inventory method to record stock. The financial year ended on 31 October 2016.

REQUIRED:

- 6.2.1 Explain ONE difference between the perpetual stock system and the periodic stock system. (2)
- 6.2.2 Analyse transactions (ii) and (iii) in terms of the accounting equation. Complete the table provided. Show increase (+) and decrease (-) for assets, equity and liabilities. (8)
- 6.2.3 Calculate the cost of sales for the financial year ended 31 October 2016. (8)

INFORMATION:

A. Stock balance on 1 November 2015, R134 600.

B. Transactions during the current financial year:

	R
(i) Cash and credit purchases of trading goods.	622 400
(ii) Transport cost on trading goods paid by cheque.	92 200
(iii) Damaged goods returned to creditors.	45 300
(iv) Goods donated to a local school (fund raising).	5 500
(v) Goods taken by the owner for personal use.	3 750
(vi) Cost of goods returned by debtors taken into stock.	7 250

C. Stock take on 31 October 2016 revealed that R98 350 was on hand.

6.3 MANAGEMENT OF STOCK – PROBLEM SOLVING

Fundani Electronics is a retail business that sells car accessories. The business has branches operating in Queens, Cofimvaba and Tsolo.

Fundani, the owner, was concerned about the sale of a single brand of car radio and requested the figures for this product from each branch.

The information presented are for the three months ended 31 July 2016.

REQUIRED:

Identify a different problem in each branch, quoting the relevant figures for each. Also provide a possible solution to the problems identified. (9)

INFORMATION:

Information relating to the single brand of car radios

	QUEENS	COFIMVABA	TSOLO
Stock balance on 1 May 2016	230	160	85
Number of units sold during the period	180	40	85
Stock balance on 31 July 2016	35	120	Nil
Selling price per radio	R1 120	R1 120	R1 120
Deposit of sales revenue	R201 600	R44 800	R81 760
Advertising of radios	R1 400	R6 720	R6 120
Monthly salary of sales person	R7 000	R7 500	R7 500

55

TOTAL: 300