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**GRADE 11**

**NOVEMBER 2015**

**ACCOUNTING  
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. *Where foreign items are included in any calculation, full marks cannot be awarded.*
5. Educators are advised to work through the question paper and compare with this guideline, *before* marking. If adjustments are necessary, do so within the framework of the mark allocation.

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This memorandum consists of 14 pages.

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**QUESTION 1: CASH BUDGET AND PROJECTED INCOME STATEMENT.**

1.1

No.	Amount in the Cash Budget for June 2015		Amount in the Projected Income Statement for June 2015	
	RECEIPT	PAYMENT	INCOME	EXPENSE
Example		<b>R2 130</b>		<b>R2 130</b>
1.1.1	35 200 ✓		35 200 ✓	22 000 ✓✓
1.1.2				1 420 ✓✓
1.1.3	62 200 ✓			2 150 ✓
1.1.4		8 460 ✓		460 ✓

10

1.2.1 **DEBTORS COLLECTION SCHEDULE**

MONTHS	CREDIT SALES		OCTOBER	NOVEMBER
September	<b>142 500</b>		78 375 ✓✓	
October	<b>176 400</b>		68 796 ✓✓	97 020 ✓✓
November	<b>174 800</b>			68 172 ✓✓
			147 171 ☑	165 192 ☑
			Operation – one part correct	

10

1.2.2

	<b>COMMENT</b> One valid point each for ✓ ✓ ✓	<b>ADVICE</b> One relevant advice ✓ ✓ ✓
<b>Maintenance of vehicles</b>	Underspent or over budgeted Not well controlled. Not making adequate use of money allocated.	Important to maintain vehicle regularly to improve performance and productivity. Do not compromise on this.
<b>Collection from debtors</b>	Poor collection policy / over-budgeted Estimates may be unrealistic.	Revise collection policy or be more vigilant in implementing the policy. Offer incentives for early payments or penalties for late payments. Send reminders to debtors.
<b>Telephone</b>	Overspent or under-budgeted. Poor control over telephone use.	Investigate usage – may be wastage or valid use. Monitor calls – set rules for private use. Anticipate extra usage or price increases of tariffs.

6

1.2.3

**RCN TRANSPORT****CASH BUDGET FOR OCTOBER 2015 TO NOVEMBER 2015**

	October 2015	November 2015	
<b>CASH RECEIPTS</b>			
Collection from debtors	147 171 <input checked="" type="checkbox"/>	165 192 <input checked="" type="checkbox"/>	
Fee income for services rendered	<b>62 000</b>	<b>65 400</b>	
Rent income	<b>8 200</b>	8 938 <input checked="" type="checkbox"/>	
Commission income	<b>4 650</b>	4 905 <input checked="" type="checkbox"/>	
Fixed deposit	-	<b>10 000</b>	
Interest on fixed deposit	<b>375</b>	300 <input checked="" type="checkbox"/>	
<b>TOTAL RECEIPTS</b>	222 396	254 735 <input checked="" type="checkbox"/>	9
<b>CASH PAYMENTS</b>			
Fuel and oil	<b>32 600</b>	37 490 <input checked="" type="checkbox"/>	
Maintenance of vehicles	<b>24 500</b>	24 500 <input checked="" type="checkbox"/>	
Salaries	<b>25 500</b>	27 030 <input checked="" type="checkbox"/>	
Drawings	500 <input checked="" type="checkbox"/>	500 <input checked="" type="checkbox"/>	
Telephone	<b>2 300</b>	2 300 <input checked="" type="checkbox"/>	
Sundry expenses	<b>3 120</b>	3 198 <input checked="" type="checkbox"/>	
Interest on loan	2 750 <input checked="" type="checkbox"/>	2 750 <input checked="" type="checkbox"/>	
Purchase of additional vehicle	-	29 440 <input checked="" type="checkbox"/> (25 600 + 3 840)*	
<b>TOTAL PAYMENTS</b>	91 270	127 208 <input checked="" type="checkbox"/>	
<b>SUPPLUS/SHORTFALL</b>	<b>131 126</b>	127 527 <input checked="" type="checkbox"/>	
Opening Balance	<b>22 104</b>	153 230 <input checked="" type="checkbox"/>	
Balance at the end of the month 20	153 230 <input checked="" type="checkbox"/>	280 757 <input checked="" type="checkbox"/>	29

\*Check operation

\*One mark each for 25 600 and 3 840

<b>Q1</b>	<b>55</b>	
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**QUESTION 2: RECONCILIATION AND INTERNAL CONTROLS**

2.1 2.1.1

<b>(a)</b>	Bank	✓
<b>(b)</b>	DJ (Debtors Journal)	✓
<b>(c)</b>	Debtors Allowances	✓
<b>(d)</b>	CRJ (Cash Receipts Journal)	✓

4

2.1.2

**Provide the source documents that will support the entries for R32 000 and R15 000 on the credit side of the Debtors Control account.**

<b>R32 000</b>	Credit Note	✓
<b>R15 000</b>	Receipt	✓

2

2.1.3

• **Give ONE reason (example) for the entry of R12 500 on the credit side of the control account.**

Any one valid explanation ✓✓

Bad debts / transfer of balance from CL to DL / correction of error

2

• **Give ONE reason (example) for the entry of R4 760 on the debit side of the control account.**

Any one valid explanation ✓✓

Interest income / discount allowed cancelled / transfer of balance from CL to DL / correction of error.

2

2.1.4

**Explain why the balance on the Debtors Control Account in the General Ledger should be the same as the total on the Debtors' List.**

Any valid explanation. ✓✓

All amounts involving debtors are posted from the journals to the individual debtor's ledger accounts. The journal totals are posted to the Debtors' Control account in the General Ledger.

The Debtors Control Account is a summary of the Debtors' List.

2

2.1.5

**Refer to Information B.**

**Show how each entry would affect the Debtors Control account and/or the Debtors List. Indicate the change by showing the increase (+) or decrease (-) and the amounts, in the table provided.**

No.	DEBTORS CONTROL	DEBTORS LIST
i	+2 400 ✓	
ii	- 410 ✓	- 410 ✓
iii		Or "0" for no change ± 670 ✓✓
iv	+ 900 ✓✓	+ 900 ✓

8

## 2.2 2.2.1 Show the entries that must be recorded in the cash journals.

CASH RECEIPTS JOURNAL ENTRIES (BANK ACCOUNT DEBITS)		CASH PAYMENTS JOURNAL ENTRIES (BANK ACCOUNT CREDITS)	
DETAILS OF SUNDRY ACCOUNTS	AMOUNT	DETAILS OF SUNDRY ACCOUNTS	AMOUNT
Interest income ✓	320 ✓	Bank charges ✓	715 ✓
Creditors control ✓	2 970 ✓✓	Debtors control ✓	7 600 ✓
Drawings ✓	1 200 ✓	Commission income ✓	22 000 ✓

13

## 2.2.2 Bank Reconciliation Statement on 31 August 2015.

DETAILS	DEBITS	CREDITS
<b>Cr balance as per bank statement</b>		<b>5 055</b>
Cr Outstanding deposits (one mark) (one mark) (18 200 + 21 400 - )		39 600 ✓✓
Dr Outstanding Cheques No. 1 465	13 800 ✓	
No. 1 960	4 280 ✓	
No. 1 996	5 730 ✓	
Cr amount wrongly debited		345 ✓
Dr balance as per Bank Account	21 190 ☑	
	45 000	45 000 ☑

8

## 2.2.3 It is clear that the business is not controlling its cash resources effectively. Explain ONE problem you have identified. Provide relevant figures to support your answer and also provide a solution for this problem.

PROBLEM ✓ (with figures) ✓	SOLUTION ✓✓
<p>Large outstanding deposits – especially R18 200 which was not deposited in good time. Money being held by the business.</p> <p>R22 000 stolen en-route to depositing. Poor security measures or deposits being done by one person (no sharing of duties) No protection.</p>	<p>Ensure that deposits are done on a regular basis to avoid mismanagement.</p> <p>Provide security when going to the bank (at least two people should go).</p> <p>Rotate duties and times of banking to avoid creating a pattern.</p> <p>*Although we trust Innocent, she could be guilty of theft (dishonest practice).</p>

4

Q2

45

**QUESTION 3: PARTNERSHIPS – FINANCIAL STATEMENTS****3.1 3.1.1 FIXED (TANGIBLE) ASSETS**

	VEHICLES	EQUIPMENT
Cost (1 March 2014)	555 000 ✓✓	435 400 ✓✓
Accumulated depreciation (1 March 2014)	<b>(280 000)</b>	<b>(193 500)</b>
<b>CARRYING VALUE (1 March 2014)</b>	275 000 ✓	241 900 ✓
<b>Movements:</b>	68 250	(66 605)
Additions	145 000 ✓	
Disposals (5 400 – 3 970)		(1 430) ✓✓
Depreciation (Equipment : 675 + 64 500)	(76 750) ✓✓	(65 175) ✓✓✓
<b>CARRYING VALUE (28 February 2015)</b>	Operation 343 250 ✓	Operation 175 295 ✓
Cost (28 February 2015)	700 000 ✓	430 000 ✓
Accumulated depreciation (28 February 2015)	(356 750) ✓	(254 705) ✓

**20**

Depreciation of Equipment: award 1 mark each for the amounts in brackets. The method mark is for one part being correct.

**3.1.2 CURRENT ACCOUNT NOTE**

	SANJAY	SAM	TOTAL
<b>Salaries</b>	118 750 ✓	130 750 ✓✓	249 500 ✓
<b>Interest on capital</b>	106 500 ✓✓	66 000 ✓✓	172 500
<b>Bonus</b>		15 000 ✓	15 000
Total primary distribution	225 250 ✓	211 750 ✓	437 000 ✓
Final distribution of profits	15 000 ✓✓	10 000 ✓	25 000 ✓
Net profit for the year	240 250	221 750	462 000 ✓
Drawings	(45 250) ✓	(56 250) ✓	(101 500)
Retained income for the year	195 000	165 500	360 500
Balance (1 March 2014)	23 000 ✓	(7 500) ✓	15 500 ✓
Balance (28 February 2015)	218 000 ✓	158 000 ✓	376 000 ✓

**25**

Accept alternative formats/presentations.  
Allocate the marks accordingly.

**\*Check operation for all totals**



## 3.1.3 TRADE AND OTHER RECEIVABLES

<b>Debtors Control</b>	<b>127 300</b>
Provision for Bad Debts	(6 365) ✓✓
Net Trade Debtors	120 935
Prepaid Expenses	710 ✓✓
Accrued Income	3 225 ✓
Operation (one part correct)	124 870 ☑

6

## 3.1.4 TRADE AND OTHER PAYABLES

<b>Creditors Control</b>	<b>77 360</b>
Accrued Expenses	1 840 ✓
Income received in advance (69 600/12)	5 800 ✓✓
Operation (one part correct)	85 000 ☑

4



3.2 **STAR TRADERS**  
**BALANCE SHEET AS AT 28 FEBRUARY 2015**

ASSETS			
NON-CURRENT ASSETS		1 682 095	
Tangible Assets (1 103 550 + 343 250 <input checked="" type="checkbox"/> + 175 295 <input "="" checked="" type="checkbox"/>	Refer 3.1.1		
Financial Assets (85 000 – 25 000)			60 000 ✓✓
CURRENT ASSETS		498 905	
Inventories (248 910 + 3 290)		252 200 ✓✓	Or 3 marks
Trade and other receivables	Refer 3.1.3	124 870 <input checked="" type="checkbox"/>	
Cash and cash equivalents (95 635✓ + 1 200✓ + 25 000✓)		121 835	
TOTAL ASSETS		2 181 000	
EQUITY AND LIABILITIES			
PARTNERS' EQUITY		1 776 000 <input checked="" type="checkbox"/>	Operation
Capital (850 000 + 550 000)		1 400 000 ✓✓	
Current accounts	Refer 3.1.2	376 000 <input checked="" type="checkbox"/>	
NON-CURRENT LIABILITIES		216 800	
Loan (320 000 – 103 200 ✓)		216 800 ✓	
CURRENT LIABILITIES		188 200	
Trade and other payables	Refer 3.1.4	85 000 <input checked="" type="checkbox"/>	
Current portion of loan		103 200 <input checked="" type="checkbox"/>	
TOTAL EQUITY AND LIABILITIES		2 181 000 <input checked="" type="checkbox"/>	

2

20

Q3

75

**QUESTION 4: PARTNERSHIPS – INTERPRETATION**

4.1 Calculate:

4.1.1 **The total value of current liabilities.**Current Assets :  $(273\,200 + 36\,800 + 177\,000) = 487\,000$  ✓✓ $487\,000 \div 2,5$  ✓ =  $194\,800$  ✓ (one part correct)

4

4.1.2 **Percentage return earned by N. Yong**

$$\frac{\frac{211\,200 \text{ ✓✓}}{(150\,000 + 42\,000 + 19\,200)}}{\frac{\frac{925\,000 \text{ ✓}}{\frac{1}{2}(400\,000 + 525\,000 + 15\,400 - 9\,100)} - 6\,300 \text{ ✓}}{465\,650 \text{ (2 marks)}}} \times \frac{100}{1} = 45\% \quad \checkmark \text{ (one part correct)}$$

5

4.1.3 **Debt/equity ratio**

$$\frac{400\,000 \text{ ✓}}{0,46 : 1 \text{ or } 0,5 : 1 \text{ ✓} \quad \checkmark \text{ (one part correct)}}$$

$\frac{875\,000 \text{ ✓}}{(525\,000 + 350\,000 + 10\,600 - 9\,100)}$        $\frac{1\,500 \text{ ✓}}{1}$

4

4.1.4 **Acid-test ratio**

$$\frac{310\,000 \text{ ✓✓} \text{ (refer 4.1.1)}}{(273\,200 + 36\,800) : 194\,800 \text{ ✓}}$$

$$1,6 : 1 \text{ ✓} \quad \checkmark \text{ (one part correct)}$$

4

4.2

**Comment on the liquidity of the business.  
Quote TWO financial indicators (with figures) in your answer.**

Quoting financial indicators with figures ✓✓ ✓✓ comment ✓✓

Current ratio : moved from 1,8 : 1 to 2,5 : 1

Acid test ratio : moved from 1,2 : 1 to 1,6 : 1

The business appears to be in a good liquidity position. Both ratios showed an improvement. There is however, stock piling and poor collection from debtors. This could lead to liquidity problems in the future.

\*Take into consideration the candidate's calculation for acid test ratio.

6

4.3

**Do you think that N. Yong is satisfied with his return on investment?  
Explain. Quote TWO relevant financial indicators (with figures) to support your answer.**

Yes/No ✓

Quoting financial indicators with figures ✓✓ ✓✓ comment ✓

Return earned by Yong : decreased from 48% to 45%

Return earned by Sung : improved from 57% to 61%

ROTCE: improved from 37% to 43%

Although Yong may be getting a return above the return earned by the business, he may be disappointed with the decrease in his return compared to the increase in Sung's return.

Other factors: He has contributed more capital but he also has debit balance on his current account.

\*Take into consideration the candidate's calculation for percentage return earned by Yong.

6

4.4

**The partners want to expand the existing business and are considering increasing the loan. What advice would you offer them? Support your answer by making reference to TWO financial indicators (with figures).**

Quoting financial indicators with figures ✓✓ ✓✓ comment ✓✓

The debt/equity ratio improved from 0,5 : 1 to 0,46 : 1.

ROTCE: improved from 37% to 43%

The business can afford to increase the loan as it is lowly geared. It is also receiving a good return on capital employed (higher than Interest rate on loans). There is positive gearing.

\*Take into consideration the candidate's calculation for debt/equity ratio.

6

Q4

35

**QUESTION 5: COST ACCOUNTING – MANUFACTURING****5.1.1 Calculate:**

- Direct material cost**

$$\begin{array}{ccccccc} 27\,500 & + & 826\,500 & + & 7\,840 & - & 5\,200 - 33\,650 = 822\,990 \\ \checkmark & & \checkmark & & \checkmark & & \checkmark & & \checkmark & & \checkmark \end{array}$$

☒ (one part correct)

Accept alternative arrangements (such as ledger accounts)

6

- Direct labour cost**

$$6 \times 1\,680 \times R75 = 756\,000 \quad \checkmark\checkmark$$

$$6 \times 240 \times R120 = 172\,800 \quad \checkmark\checkmark$$

$$+ \text{UIF of } 1\% = 7\,560 \quad \checkmark$$

$$= 936\,360 \quad \checkmark \quad (\text{One part correct})$$

6

- Factory overhead cost**

Indirect materials (3 330 ✓ + 85 180 ✓ – 2 170 ✓)	86 340 <input checked="" type="checkbox"/>
Salary: factory foreman (62 500 + 625)	63 125 ✓✓
Rent expense (108 000 × $\frac{21}{40}$ )	56 700 ✓✓
Maintenance	24 285 ✓
Depreciation of factory plant	16 660 ✓
Sundry expenses (45 700 × $\frac{3}{4}$ )	34 275 ✓✓
Water and electricity (67 100 × 65%)	43 615 ✓✓
<b>TOTAL FACTORY OVERHEAD COST</b>	<b>325 000 <input checked="" type="checkbox"/></b>

15

**5.1.2****GENERAL LEDGER OF FLUZZIE CLEANERS  
WORK-IN-PROCESS STOCK ACCOUNT (B7)**

2014 Mar	1	Balance	b/d	17 600 ✓	2015 Feb	28	Finished Goods Stock ✓		2 082 000 <input checked="" type="checkbox"/>
2015 Feb	28	Direct Material Cost ✓		822 990 <input checked="" type="checkbox"/>			Balance	c/d	19 950 ✓
		Direct Labour Cost ✓		936 360 <input checked="" type="checkbox"/>					
		Factory Overhead Costs ✓		325 000 <input checked="" type="checkbox"/>					
				2 101 950					2 010 950
2015 Mar	1	Balance	b/d	19 950					

10

## 5.2 TRENDY MANUFACTURERS

5.2.1 Give ONE example of a fixed cost and ONE example of a variable cost.

**FIXED COST:**

Any ONE example from the Factory Overhead Cost or the Administration Cost categories. ✓

**VARIABLE COST:**

Any ONE example from the Direct Material, direct labour or selling and distribution cost accounts. ✓

2

5.2.2 Calculate the break-even point for Trendy Manufacturers for the year ended 30 June 2015.

291 200 ✓ / R13 = 22 400 units. ☒ (one part correct)

Workings:  $(1\ 057\ 500 / 23\ 500) - 752\ 000 / 23\ 500 = R13$  ☒  
                     R45 ✓✓                      R32 ✓

6

5.2.3 Comment on your calculations in QUESTION 5.2.2. What advice would you offer Trendy Manufacturers? Quote figures to support the advice you offer.

Comment ✓ with figures quoted ✓✓      Advice ✓✓

The business produced more than the BEP (produced 23 500 ; BEP, 22 400). This is however only 1 100 units above the BEP meaning that profitability is still very low.

The business needs to increase production and control costs more efficiently in order to improve profitability.

Buy locally or in bulk to save on transport costs and to receive discounts. Improve production techniques and reduce wastage.

\*Take into consideration the candidate's calculation for the Break-even point (5.2.2).

5

Q5

50

**QUESTION 6: NON-PROFIT ORGANISATIONS AND STOCK SYSTEMS**

6.1

**GENERAL LEDGER OF STRIDING ATHLETIC CLUB  
MEMBERSHIP FEES ACCOUNT**

2014 Jan	1	Accrued Income ✓		2 700 ✓	2014 Jan	1	Deferred income ✓		1 080 ✓
Dec	31	Bank (refund) ✓		180 ✓	Dec	31	Bank		28 620 ✓
		Entrance Fees ✓ (8 x 300)		2 400 ✓✓			Fees written off ✓ (3 x 180)		540 ✓✓
		Deferred Income (8 x 180)		1 440 ✓✓			Honorarium ✓		180 ✓
		Income and Expenditure ✓		25 320 ✓✓			Accrued income		1 620 ✓
				32 040					32 040
		Income and expenditure 125 – 4 x 180 = 21 780 22 x 150 = 3 300 8 x 30 = 240							

21

6.2

**Calculate the profit on sale of refreshments**

Sales: 78 360 ✓ – Cost of sales: 62 690 = Gross profit: 15 670 ✓ (one part correct)

**Cost of sales** calculation:

✓ ✓ ✓ ✓ ✓ ✓  
 $(11\,420 + 17\,400 + 1\,500 + 45\,200) - (2\,850 + 9\,980) = 62\,690$

*Candidates may draft the Refreshment Account or the Refreshment Trading Account.  
Allocate the marks as above.*

9

- 6.3 The chairperson is not happy using the periodic inventory system to control the stock of refreshments, and wants to change to the perpetual inventory system.

• **Explain the difference between the two systems.**

Perpetual : ✓✓ (one valid explanation)

Cost of sales is determined at the point of sale.

The Trading Stock account is updated with all transactions affecting stock so that the stock balance is always available.

Periodic: ✓✓ (difference making reference to the explanation mentioned above)

Cost of sales has to be calculated, usually done at the end of a financial period. The cost of sale cannot (or is not) determined at the point of sale.

Stock balance is determined by a physical stock take. Losses are not detected.

4

• **Explain to the chairperson why you think that the periodic system is suited for the club.**

Any valid explanation. ✓✓

It is a sports club and it will be difficult to convert to the perpetual system due to the cost involved as well as the manpower required. The club is depended on voluntary services so it may not be feasible to change.

Rotating duties and working in the interest of the club would contribute to the periodic inventory system being a practical solution.

2

• **Provide ONE advantage and ONE disadvantage of each stock system.**

	<b>ADVANTAGE</b> ✓ ✓ each	<b>DISADVANTAGE</b> ✓ ✓ each
<b>PERPETUAL INVENTORY SYSTEM</b>	Better control of stock – physical count will detect any losses. Theft can be detected and internal controls can be improved.	Computer system is the most efficient means to operate this system – expensive. Manual would take much time and will result in many errors.
<b>PERIODIC INVENTORY SYSTEM</b>	Cheaper system to maintain. Suitable for a business with a variety of goods and services where it is difficult to determine the cost price.	Theft will not be detected easily – less control. Will require more security measures. Final stock figure is only determined by counting the goods.

4

Q6

40

TOTAL: 300