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GRADE 11

NOVEMBER 2022

ACCOUNTING P2

MARKS: 150

TIME: 2 hours

This question paper consists of 10 pages, including a formula sheet and an 8-page answer book.

INSTRUCTIONS AND INFORMATION

Read the following instructions carefully and follow them precisely.

1. Answer ALL questions.
2. A special ANSWER BOOK is provided in which to answer ALL questions.
3. Show ALL workings to earn part-marks.
4. You may use a non-programmable calculator.
5. You may use a dark pencil or blue/black ink to answer questions.
6. Where applicable, show ALL calculations to ONE decimal point.
7. If you choose to do so, you may use the Financial Indicator Formula Sheet attached at the end of this question paper. The use of this formula sheet is NOT compulsory.
8. Write neatly and legibly.
9. Use the information in the table below as a guide when answering the question paper. Try NOT to deviate from it.

QUESTION	TOPIC	MARKS	MINUTES
1	Cash transactions and Creditors Reconciliations	40	30
2	Cost Accounting	40	30
3	Budgeting	45	40
4	Fixed Assets	25	20
TOTAL		150	120

QUESTION 1: CASH TRANSACTIONS AND CREDITORS RECONCILIATION (40 marks; 30 minutes)

The information relates to Beauty Stores, a business that sells cosmetic products.

1.1 RECORDING CASH TRANSACTIONS

Beauty has adapted her accounting system to make cash payments using Electronic Funds Transfers (EFTs). She uses the formal monthly bank statement, available on the 26th of each month, to update her cash journals.

REQUIRED:

- 1.1.1 State THREE advantages of using electronic funds transfers (EFTs). (3)
- 1.1.2 Explain TWO aspects of the business environment that Beauty had to change or adapt, to implement this system and to ensure that it functions effectively. (4)
- 1.1.3 Update the Cash Journals by completing the table provided in the Answer Book. (20)

INFORMATION:

- A. On 31 October 2021, the provisional totals in the cash journals were:

Cash Receipts Journal	Cash Payments Journal
R113 800	R98 400

- B. Extract of the Bank Statement on 26 October 2021:

DETAILS	AMOUNT
Debit order: Frere Municipality	R 2 180
Cash handling fees	195
Deposit: L. Loren	8 200
EFT charges	155
EFT: Zema Traders	12 300
Deposit L. Slomo	3 320
Interest on debit balance	210
Hazard Insurers	1 970

- The debit order to Frere Municipality was for rates and taxes.
- The deposit from L. Loren is for the monthly rent income.
- The EFT to Zema Traders was for trading stock purchased. The bookkeeper forgot to record this entry in the correct journal.
- The deposit from debtor L. Slomo, is in settlement of his account of R3 600.
- R1 340 of the debit order to Hazard Insurers is for the business's insurance. The balance is for the owner's personal vehicle.

1.2 CREDITORS RECONCILIATION

Beauty Stores buys cosmetic products from Vuyi Suppliers on credit, and received a statement of account October 2021.

REQUIRED:

Complete the table provided in the ANSWER BOOK to show the effect of each error or omission. Indicate an increase (+) or decrease (-) next to each amount. (13)

INFORMATION:

Balance as per the statement received from Vuyi Suppliers:	R26 070
Balance of the Creditor's Ledger account of Vuyi Suppliers in the books of Beauty Stores.	R41 680

ERRORS AND OMISSIONS:

- A. An invoice for R7 250 was incorrectly reflected as R2 750 on the statement received from Vuyi Suppliers.
- B. An allowance of R840 for damaged goods was recorded as an invoice in the creditor's ledger account of Vuyi Suppliers in the books of Beauty Stores.
- C. Beauty Stores recorded a 7,5% discount when an EFT payment of R8 000 was made. This did not appear on the statement. Vuyi Suppliers stated that the discount should have been 5%, and will include this on the next statement.
- D. Beauty Stores reflected a credit invoice of R7 600 in the Creditor's Ledger account of Vuyi Suppliers. This was for goods purchased from Vuyisile Dealers.
- E. Vuyi Suppliers did not deduct the 10% trade discount on a credit invoice for goods purchased. The correct net amount of R8 550 was recorded in the books of Beauty Stores.
- F. An invoice for goods purchased for R3 380 30 October 2021 was not on the statement from Vuyi Suppliers. The statement was dated 28 October 2021.

QUESTION 2: COST ACCOUNTING**(40 marks; 30 minutes)****2.1 MAHLAPE MANUFACTURERS**

The business manufactures winter jackets. The financial year ended on 28 February 2021.

REQUIRED:**2.1.1 Refer to Information A, B and C**

Calculate the following for the financial year:

- Direct material cost (6)
- Direct labour cost (7)

2.1.2 Refer to Information D

The bookkeeper calculated the total factory overhead cost, but neglected to take certain factors into consideration. Calculate the correct factory overhead cost by taking into account the errors and omissions. Indicate an increase (+) or decrease (-) to the total given. Show all workings. (9)

2.1.3 Prepare the Work In Progress Stock account in the General Ledger. (8)**INFORMATION:****A. Stock balances:**

	28 FEBRUARY 2021 R	1 MARCH 2020 R
Raw material	33 200	27 500
Work-in-progress	27 420	23 444

B. Transactions for the year:

- (i) Raw material purchased for cash and on credit was R263 400.
- (ii) Damaged raw material worth R9 200 was sent back to creditors.
- (iii) Delivery cost on cash purchases of raw material, R7 500.

C. Details of workers in production:

Number of workers	5
Normal hours worked (basic)	1 520 hours per worker
Normal time rate	R30 per hour
Total overtime hours for all workers	420 hours
Overtime rate	1,6 time more than normal time

The business contributes 1% to the UIF and 9% to a pension fund on behalf of all employees, based on their total earnings.

- D. The bookkeeper calculated the factory overhead costs as R106 760. The following errors and omissions were noted:
- The closing stock of factory indirect material of R3 800 was not taken into account.
 - R22 200 of the water and electricity expense was allocated to the factory. This was 50% of the total expense, but 60% should have been allocated to the factory.
 - The total rent expense of R75 600 was entered in the factory overhead cost account. It should have been shared in the ratio 4 : 2 : 1 (4 parts to the factory).

2.2 MELINDA'S TOY SHOP

Melinda Botha, the owner wants to assess the progress of the business and has provided the following data regarding the production and sales of toy cars.

The toy cars are sold at a profit mark-up of 50% on cost. The financial year ended on 30 June 2021.

REQUIRED:

- 2.2.1 Calculate the break-even point for the year ended 30 June 2021. (4)
- 2.2.2 Explain whether Melinda should be satisfied with the level of production achieved for this financial year. Quote figures. (3)
- 2.2.3 Melinda is concerned about the control over direct labour cost per unit.
 - Explain why she may be concerned. Quote figures. (2)
 - Provide ONE suggestion on how she can improve the control over this cost. (1)

INFORMATION:

	30 June 2021		30 June 2020
	TOTAL R	UNIT PRICE R	UNIT PRICE R
Direct Material Cost	76 000	38,00	32,00
Direct Labour Cost	64 000	32,00	22,00
Selling and Distribution Cost	30 000	15,00	12,00
TOTAL VARIABLE COST	170 000	85,00	66,00
Factory Overhead Cost	44 000	22,00	20,00
Administration Cost	16 000	8,00	8,00
TOTAL FIXED COST	60 000	30,00	28,00
SALES	250 000	125,00	110,00
Units produced and sold	2 000 units		1 500 units
Break-even point	?		955 units

QUESTION 3: BUDGETING**(45 marks; 40 minutes)****PIONEER STORES**

Information from the records is for the budget period ended 31 December 2021.

REQUIRED:

- 3.1 Complete the Debtors Collection Schedule. Refer to the spaces with an *. (9)
- 3.2 Complete the extract of the Cash Budget for November and December 2021, that is presented in the ANSWER BOOK. (22)
- 3.3 Calculate the following:
- 3.3.1 The amount of the loan to be received on 1 December 2021. Note that interest at 11% p.a. is paid at the end of each month (4)
- 3.3.2 The % increase in salaries and wages (4)
- 3.4 Provide Shirley with TWO suggestions on how she can ensure that only reliable people are granted credit, and TWO ways to improve collections from debtors. (6)

INFORMATION:

- A. Total sales figures for the period ended December 2021:**
Goods are sold at a profit mark-up of 50% on cost.

MONTH	ACTUAL		BUDGETED	
	CASH	CREDIT	CASH	CREDIT
October	R216 000	R504 000		
November	R207 000	R483 000		
December			R222 000	R518 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 and payment to creditors:**
- 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. Additional information:

- Rent income is expected to increase by 8% p.a. from 1 December 2021.
- Insurance will increase by 5% p.a. from 1 December 2021.
- Interest on fixed deposit for the year is R9 600. and is received in three equal instalments on 30 September 2021, 31 December 2021 and 31 March 2022 respectively.
- Other operating expenses will decrease by R2 500 per month due to Covid-related closures.
- The owner will also decrease his drawings from 1 December 2021, to R5 000 per month. 30% of this will be in the form of stock.

45

QUESTION 4: FIXED ASSETS**(25 marks; 20 minutes)**

The information relates to Malusi's Delivery Services, that provides a delivery service for local hardware suppliers. The financial year ended on 28 February 2021.

REQUIRED:

- 4.1 Calculate the total depreciation on vehicles and on equipment. (13)
- 4.2 Malusi wants to sell two of the delivery vehicles, and replace them with a later model, bigger truck. His wife feels that this is not a good idea.
- 4.2.1 Provide TWO possible reasons that Malusi can use to convince his wife that this is a good decision. (4)
- 4.2.2 Provide ONE reason in support of his wife's feelings. (2)
- 4.3 Malusi is concerned about the use of the vehicles in relation to the progress of the business.
- Identify TWO problems from the information provided. Quote figures. In each case, provide a solution to the problem identified. (6)

INFORMATION:

- A. On 1 March 2020, the business owned five delivery vehicles.
On 1 June 2020, an additional delivery vehicle was purchased on credit.
- B. On 1 January 2021, old equipment, cost R115 000, was donated to an old age home. The accumulated depreciation on the equipment donated was R84 200 on 1 March 2020.
- C. Depreciation policy:
- Vehicles are depreciated at 20% p.a. on cost.
 - Equipment is depreciated at 15% p.a. on carrying value.
- D. **Additional information from the records:**

	28 February 2021 R	1 March 2020 R
Delivery vehicles (cost)	1 600 000	1 260 000
Accumulated depreciation on vehicles	?	756 000
Equipment (cost)	517 000	632 000
Accumulated depreciation on equipment	?	365 000
Repairs and maintenance on vehicles	76 800	76 800
Petrol and oil	187 680	192 000
Salary to drivers	80 850	77 000
Sales	816 000	960 000

25**TOTAL: 150**

GRADE 11 ACCOUNTING FINANCIAL INDICATOR FORMULA SHEET		
$\frac{\text{Gross profit}}{\text{Sales}} \times \frac{100}{1}$	$\frac{\text{Gross profit}}{\text{Cost of sales}} \times \frac{100}{1}$	$\frac{\text{Net profit}}{\text{Sales}} \times \frac{100}{1}$
$\frac{\text{Operating expenses}}{\text{Sales}} \times \frac{100}{1}$	$\frac{\text{Operating profit}}{\text{Sales}} \times \frac{100}{1}$	
$\frac{\text{Total earnings by partner}}{\text{Partner's Average equity}} \times \frac{100}{1}$	$\frac{\text{Net profit}}{\text{Average owners equity}} \times \frac{100}{1}$	
Current assets : Current liabilities	(Current assets – Inventories) : Current liabilities	
(Trade and other receivables + Cash and cash equivalents) : Current liabilities		
$\frac{\text{Average debtors}}{\text{Credit sales}} \times \frac{365}{1}$	$\frac{\text{Average creditors}}{\text{Credit purchases}} \times \frac{365}{1}$	
$\frac{\text{Average inventories}}{\text{Cost of sales}} \times \frac{365 \text{ or } 12}{1}$	$\frac{\text{Cost of sales}}{\text{Average inventories}}$	
Non-current liabilities : Owners' equity	Total assets : Total liabilities	
$\frac{\text{Total fixed costs}}{\text{Selling price per unit} - \text{Variable costs per unit}}$		