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GRADE 11

NOVEMBER 2017

ACCOUNTING

MARKS: 300

TIME: 3 hours

This question paper consists of 17 pages and a 14 page answer book.

INSTRUCTIONS AND INFORMATION

1. Answer ALL the questions in the answer book provided.
2. Where applicable, calculations 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: 45 marks; 30 minutes	
Main topic:	This question integrates:
Reconciliations and Internal control	Financial accounting <ul style="list-style-type: none"> • Concepts, Bank Reconciliation and Debtors Reconciliation Managing resources <ul style="list-style-type: none"> • Internal control and ethics

QUESTION 2: 75 marks; 45 minutes	
Main topic:	This question integrates:
Partnerships – Financial Statements	Financial accounting <ul style="list-style-type: none"> • Concepts, Income Statement, Balance Sheet and notes

QUESTION 3: 35 marks; 20 minutes	
Main topic:	This question integrates:
Partnerships – Financial Statements and Interpretation	Financial accounting <ul style="list-style-type: none"> • Concepts, Notes to the Balance Sheet • Calculating and interpreting financial information

QUESTION 4: 70 marks; 40 minutes	
Main topic:	This question integrates:
Budgeting; Clubs	Managerial accounting <ul style="list-style-type: none"> • Concepts, cash budget and interpretation of budget information Financial accounting <ul style="list-style-type: none"> • Sports clubs transactions and ledger accounts Managing resources <ul style="list-style-type: none"> • Internal control processes

QUESTION 5: 45 marks; 25 minutes	
Main topic:	This question integrates:
Cost Accounting	Managerial accounting <ul style="list-style-type: none"> • Concepts, General Ledger and calculations relevant to a manufacturing business Managing resources <ul style="list-style-type: none"> • Stock systems and Internal control processes

QUESTION 6: 30 marks; 20 minutes	
Main topic:	This question integrates:
Fixed assets; Problem Solving	Managing resources <ul style="list-style-type: none"> • Fixed asset management, depreciation, and note • Problem solving

QUESTION 1: RECONCILIATIONS AND INTERNAL CONTROL (45 marks; 30 minutes)

1.1 Indicate whether the following statements are TRUE or FALSE. Write your answer next to each number (1.1.1–1.1.4) in the ANSWER BOOK.

- 1.1.1 A credit balance on the bank statement is a favourable balance.
- 1.1.2 A post-dated cheque received from a debtor will be recorded in the CRJ and reflected as an outstanding deposit in the Reconciliation Statement.
- 1.1.3 Service fees, deposit fees and bank levies are grouped and called bank charges because of the prudence concept of GAAP.
- 1.1.4 A stale cheque must be cancelled in the CRJ. (4)

1.2 Bank Reconciliation

The information below is from the records of Algoa Stores for September 2017.

REQUIRED:

- 1.2.1 Identify the items (with amounts) that must be recorded in the CRJ. (7)
- 1.2.2 Identify the items (with amounts) that must be recorded in the CPJ. (6)
- 1.2.3 Prepare the Bank Reconciliation Statement on 30 September 2017. (10)

INFORMATION:

A. Information from the Bank Reconciliation Statement on 31 August 2017:

Debit balance as per bank statement	R84 000
Credit balance as per bank account	53 000
Outstanding deposits	56 000
Outstanding cheques:	
▪ No 8040 (1 March 2017)	5 000
▪ No 8440	8 500
▪ No 8447 (1 October 2017)	11 500

- B. A comparison of the bank statement with the business records revealed the following:

ITEM	TRANSACTION
A	A deposit of R56 000 was on the bank statement but not in the September 2017 journals.
B	A deposit of R29 000 appeared in the September 2017 CRJ but not on the bank statement.
C	Cheque No. 8040 issued in favour of the owner's membership fees does not appear on the current bank statement.
D	A direct deposit for R8 000 by the tenant, Gel Hairdressers, appeared on the bank statement and not in the journals.
E	Service fees of R540 appeared on the bank statement but not in the journals.
F	Interest of R200 was debited on the bank statement, and not recorded in the journals.
G	The bank statement reflected a dishonoured cheque of R2 000 received from debtor J Joseph due to insufficient funds. This must still be recorded by the business.
H	Cheque No. 9020 in favour of creditor RR Manufacturers, appeared as R5 400 in the CPJ but correctly as R4 500 on the bank statement.
I	Cheque No. 8440 for R8 500 was on the September bank statement but not in the September Journals.
J	Cheque No. 8520 for R19 000 appeared in the September CPJ but not on the September bank statement.
K	Cheque No. 8524 for R15 000, post-dated for 31 December 2017, was not recorded. It was issued in favour of Seconds - Car Sales as a deposit for a vehicle. This cheque does not appear on the bank statement.
L	A cheque for R3 000, dated 16 September 2017, was received from debtor, B Best, during August 2017. The cheque was deposited on 30 September 2017 but no entries were made to record the transaction. This deposit also did not appear on the bank statement.
M	The bank statement showed a favourable balance of R45 000 on 30 September 2017.

1.3 Debtors Reconciliation

The information relates to Jasmine Traders for July 2017.

REQUIRED:

- 1.3.1 Explain why the Debtors Control Account balance and the Debtors' List total should be the same. (2)
- 1.3.2 Show the corrections to each debtor's account to record the errors and omissions noted. (10)
- 1.3.3 The owner is concerned that debtors do not comply with the 30 days credit terms.
- Explain *30 days credit terms*. (2)
 - What should the credit - manager do to ensure that only reliable persons are allowed to buy goods on credit? Provide TWO points. (4)

INFORMATION:

A. Debtors Control balance on 31 July 2017, R38 940.

B. Debtors List on 31 July 2017:

A. Santos	DL1	12 560
B. Deepak	DL2	9 840
C. Mellissa	DL3	7 660
D. Rossie	DL4	11 400

- C. The following errors and omissions were noted and must be recorded:
- (i) A cheque received from Mellissa for R3 500 was recorded in the debtor's ledger account of Rossie in error.
 - (ii) Goods returned by Santos, R780, was posted to the wrong side of her account.
 - (iii) A cheque received from Deepak, R4 000, was returned by the bank marked "R/D – post-dated".
 - (iv) The Debtors' Journal was overcast by R290.
 - (v) Goods sold for cash, R1 250, to Rossie was entered as a credit sale to his account.

QUESTION 2: PARTNERSHIPS – FINANCIAL STATEMENTS (75 marks; 45 minutes)

The information below, appeared in the books of PB Stores (with partners Pinky and Brian) on 28 February 2017, at the end of the current financial year.

REQUIRED:

- 2.1 Complete the Income Statement for the financial year ended 28 February 2017. Some amounts are provided in the answer book. (33)
- 2.2 Complete the following notes to the Balance Sheet:
- 2.2.1 Capital (8)
- 2.2.2 Current Account (28)
- 2.3 Pinky is unhappy with the way Brian is managing his investment in the partnership.
- 2.3.1 Provide TWO reasons to justify why he feels this way. In each case provide relevant figures to support your comments. (4)
- 2.3.2 Give ONE suggestion that the partnership can use to address the concern expressed by Pinky. (2)

INFORMATION:**A. Balances on 28 February 2017 (unless otherwise indicated):**

Capital: Pinky	R 280 000
Capital: Brian	350 000
Drawings: Pinky	26 409
Drawings: Brian	57 403
Current Account: Pinky (1 March 2016)	22 369
Current Account: Brian (1 March 2016)	32 412 (Dr)

B. Pre-Adjustment amounts (amongst others) from the General Ledger on 28 February 2017:

Loan: Rode Bank	?
Fixed Deposit (9% p.a)	220 000
Debtors Control	97 200
Provision for bad debts (1 March 2016)	5 440
Trading stock	133 390
Sales	993 250
Cost of sales	685 000
Rent income	117 250
Insurance	25 665
Commission income	58 545
Packing material	19 710
Water and electricity	32 180
Salaries and wages	45 000
Depreciation	17 150
Interest on investment	14 850
Sundry expenses	?

C. Adjustments:

- (i) The annual stock take revealed the following stock on hand:
 - Trading stock, R130 540
 - Packing material unused, R3 600.
- (ii) Adjust the Provision for Bad Debts to 5% of debtors.
- (iii) Interest on loan is capitalised. The loan statement received from Biltong Bank showed the following:

Loan balance on 1 March 2016	R 374 600
Repayments for the year (including interest)	86 400
Interest capitalised	?
Loan balance on 28 February 2017	327 000

- (iv) The rent for March 2017 was received. Note that the rent increased by R875 per month from 1 December 2016.
- (v) Insurance includes an annual policy for R5 820 taken out on 1 June 2016.
- (vi) The water and electricity account for February 2017 was not yet paid, R2 150.
- (vii) Interest on investment is not capitalised. Interest for the last quarter of this financial year was not received.

D. The Profit and Loss Account reflected a net profit of R311 135 after taking into account all the adjustments.

E. Transactions relating to partners to be reflected in the partners' accounts only:

- (i) Pinky took goods from stock for her personal use at a selling price of R9 590. Goods are sold at a mark-up of 75% on cost.
- (ii) Brian used a business cheque for R5 100 for his personal telephone account.
- (iii) The partnership agreement provided for the following salary allowances :
 Pinky, R113 400 p.a.
 Brian, R7 800 per month.

The partners are entitled to an annual increase of 10% effective on the 1 December each year. This was not taken into account.

- (iv) Interest on capital is calculated at 8% of the capital balances.
 On 1 June 2016, Pinky increased her capital by R40 000, and Brian decreased his capital by R10 000. These changes were recorded.
- (v) Pinky is entitled to a production bonus equal to 2% of total sales.
- (vi) The remaining profit or loss is shared in the ratio of the partners' capital balances at the end of the financial year.

QUESTION 3: PARTNERSHIPS – FINANCIAL STATEMENTS AND INTERPRETATION
(35 marks; 20 minutes)

- 3.1 Match the concept in COLUMN A with the statement in COLUMN B. Write only the letter (A–E), next to the numbers (3.1.1–3.1.4) in the ANSWER BOOK.

COLUMN A	COLUMN B
3.1.1 Return	A The effective management of expenses
3.1.2 Solvency	B The extent to which the business makes use of long-term debt (loans)
3.1.3 Profitability	C The ability of the business to settle short term debts in the next financial period
3.1.4 Liquidity	D Partners' earnings from the net profit
	E The relationship between total assets and total liabilities

(4)

3.2 **MP TRADERS**

Information from the records of MP Traders (partners Monty and Python) for the financial year ended 30 April 2017 is presented.

REQUIRED:

- 3.2.1 Calculate the following:
- Percentage mark-up on cost (4)
 - Percentage operating expenses on sales (3)
 - Total earnings of Monty (4)
 - The percentage return earned by Python (5)
 - The debt/equity ratio for 2017 (3)
- 3.2.2 Comment on the liquidity of the business. Quote and explain TWO financial indicators (with figures) in your answer. (4)
- 3.2.3 Were the partners justified in increasing the loan? Explain. Quote TWO financial indicators, with figures, in your explanation. (4)
- 3.2.4 Monty is not happy with his return on investment. Explain why you think he feels this way. Quote figures. (4)

INFORMATION:

- A. Extracts from the Income Statement on 30 April 2017:

Sales	R 4 257 000
Gross profit	1 677 000
Operating expenses	1 064 250
Net profit for the year	720 000

- B. Extracts from the partners' Current Accounts on 30 April 2017:

	MONTY	PYTHON
Total primary distribution	?	279 570
Share in the remaining profit	118 020	59 010
Drawings	198 000	210 000

- C. Extracts from the Balance Sheet on 30 April:

	2017	2016
Partners' Equity	1 237 300	838 300
• Capital	975 000	885 000
• Current Account	262 300	(46 700)
Loan: Simi Bank	742 380	85 000
Current Assets	598 080	441 600
• Trading stock	276 400	200 800
• Trade and other receivables	288 880	220 600
• Cash and cash equivalents	32 800	20 200
Current liabilities	427 200	368 000
• Trade and other payables	328 360	339 240
• Short-term portion of loan	98 840	28 760

- D. Details of the partners' equity on 30 April:

	MONTY		PYTHON	
	2017	2016	2017	2016
Capital	650 000	535 000	325 000	350 000
Current Accounts	202 720	22 300	59 580	(69 000)
	852 720	557 300	384 580	281 000

- E. Financial indicators on 30 April:

	2017	2016
Current ratio	1,4 : 1	1,2 : 1
Acid test ratio	0,8 : 1	0,7 : 1
Debt/equity ratio	?	0,1 : 1
Return on investment : Monty	54%	46%
Return on investment : Python	?	81%
Return on capital employed	69%	43%
Interest rate on loans	13%	13%

QUESTION 4: BUDGETING AND CLUBS**(70 marks; 40 minutes)****4.1 Budgets and Projected Income Statement**

- 4.1.1 State ONE difference between a Cash Budget and a Projected Income Statement. (2)
- 4.1.2 List TWO items that would not appear in a Cash Budget. (2)
- 4.1.3 Explain why a business would compare the actual amounts received or paid against the budgeted figures. (2)

4.2 Thabo's Gymnasium

Thabo's Gymnasium offers training facilities. He also operates a gym shop that sells refreshments and training gear to the public.

REQUIRED:

- 4.2.1 Complete the Debtors Collection Schedule for the budget period. (10)
- 4.2.2 Fill in the missing amounts to complete the Cash Budget provided. (28)
- 4.2.3
- Calculate the percentage increase in salaries and wages. (3)
 - Explain why the workers should/should not be satisfied with this increase. (2)
- 4.2.4 Thabo is concerned about the following items for November 2017:

ITEMS	BUDGETED AMOUNT	ACTUAL AMOUNT
Fee income	33 600	23 520
Telephone	5 000	8 460
Maintenance: training equipment	13 000	8 200

- Provide a reason for his concern for each of the items listed. (3)
- In each case, give Thabo practical advice to address the concern. (3)

INFORMATION:

- A. Monthly gymnasium fees are R420 per member.

On 31 October 2017, there were 80 registered members. Thabo expects the membership to increase by 25% during December 2017.

- B. 30% of all sales in the Gym Shop is on credit.

60% of debtors pay in the month of sale
 38% pay in the following month
 The balance is written off thereafter.

- C. All goods are purchased on credit. Creditors are paid within 30 days to receive a 10% early settlement discount.

- D. Sales and Purchases figures for the budget period:

	OCTOBER	NOVEMBER	DECEMBER
Actual and budgeted sales	95 000	100 000	150 000
Actual and budgeted purchased	58 000	62 000	94 000

- E. Cash Budget for the budget period ended 31 December 2017.

RECEIPTS	NOVEMBER	DECEMBER
Cash sales	70 000	
Cash from debtors		
Fee income (gym members)	33 600	
Rent income		10 638
Loan: Thabo Snr	80 000	0
TOTAL RECEIPTS		196 038
PAYMENTS		
Payment to creditors (for stock)		
Salaries and wages	24 000	25 800
Personal trainers (fees)	21 400	
Cleaning detergents	4 500	4 500
Telephone	5 000	5 000
Maintenance of equipment	13 000	16 280
Purchase of new equipment		0
Loan instalment (including interest)	0	
Sundry expenses		18 375
TOTAL PAYMENTS		
SURPLUS/DEFICIT		
OPENING BALANCE IN BANK	(6 930)	
CLOSING BALANCE IN BANK		

- F. Rent will increase by 8% with effect from 1 December 2017.
- G. Thabo employs 5 personal trainers during November. They receive the same monthly fee. He will employ 2 additional trainers during December at the same monthly fee as the other five trainers.
- H. Maintenance of equipment is estimated at 4% of the cost of equipment, spread evenly throughout the year. Additional equipment will be purchased on 30 November 2017.
- I. Thabo plans to take a loan from his father on 1 November 2017 at 15% p.a. interest. He agreed to pay a monthly instalment of R5 000 and the interest, commencing on 1 December 2017.
- J. Sundry expenses for December is expected to be 1,5 times the November amount, due to the greater turnout expected during the holidays.

4.3 SPORTS CLUBS

Membership records of Mbizana Social Club for the year ended 31 December 2016 is presented below.

REQUIRED:

Prepare the Membership Fees account in the General Ledger. (15)

INFORMATION:

A. Balances on 31 December 2015:

Accrued income (Membership Fees)	4 800
Deferred Income (Membership Fees)	1 800

B. Extract from the Receipts and Payments Statement on 31 December 2016.

Membership fees received	for 2015	1 200
	for 2016	42 100
	for 2017	600
Membership fees refunded		900

- C.
- The club had 87 members on 31 December 2015.
 - Membership fees are R600 per member per year.
 - New members only pay for the months remaining in the year of joining.
 - New members:
 - 7 new members joined on 30 April 2016.
 - 9 members joined on 1 November 2016.
 - They paid the fees due.
 - The outstanding fees of 2015 must be written off. The defaulting members must be excluded from the club register.
 - 3 members resigned from the club during July 2016. They were refunded half their annual fees.
 - 2 members offset their membership fees by undertaking the repairs and maintenance to the clubhouse.
 - Some members did not pay their fees for 2016.

QUESTION 5: COST ACCOUNTING**(45 marks; 25 minutes)**

- 5.1 Match the examples provided in COLUMN B with a cost category provided in COLUMN A. Write only the letter (A–E) next to each number (5.1.1 – 5.1.4) in the ANSWER BOOK.

COLUMN A	COLUMN B
5.1.1 Direct material cost	A Depreciation on factory equipment
5.1.2 Direct labour cost	B Stationery purchased for office use
5.1.3 Selling and distribution cost	C Transport cost of raw materials
5.1.4 Administration cost	D Advertisements in the Daily Dispatch
	E Pension fund contributions of workers in production

(4)**5.2 Pefferville Manufacturers**

The following information relates to Pefferville Manufacturers for the financial year ended 30 April 2017.

REQUIRED:

- 5.2.1 Calculate the Factory Overhead Cost. **(16)**
- 5.2.2 Prepare the following General Ledger accounts:
- Work-in process stock **(8)**
 - Finished goods stock **(5)**

INFORMATION:**A. Stock records:**

	28 February 2017	1 March 2016
Raw material	27 420	32 110
Work-in-process	25 000	24 270
Finished goods	58 000	38 000
Factory consumables	2 300	0

B. Transactions for the year ended 30 April 2017 (amongst others):

	R
Raw material:	
Raw material issued to the factory for production	562 000
Salaries and wages in the factory:	
• Factory foreman	148 800
• Factory cleaners	62 200
• Workers in production (only normal time)	643 000
• Employer's contributions	93 940
Purchases of factory consumables	45 300
Rent expense	92 400
Water and electricity	83 280
Insurance	15 400
Sundry expenses	17 776
Depreciation on factory equipment	51 840
Advertising	7 350
Sales	2 752 000
The business applies a profit mark-up of 60% on cost.	

C. Additional information:

- Employer's contributes on behalf of each employee:

Pension Fund	9%
Unemployment Insurance Fund	1%
Skills Development	1%

- The business does not offer overtime hours.
- The rent expense must be split according to the floor space occupied by each department. The factory currently occupies 2 600 square metres of the total business premises of 3 640 square metres.
- 65% of the water and electricity account is allocated to the factory.
- 10% of the insurance is for the office. The balance is divided equally between the factory and the sales department.
- Half the sundry expenses relate to the factory.

5.3 SaSa Furnishers

The information relates to the production of plastic bar-stools. There is no work-in-process stock at the end of a financial year.

REQUIRED:

- 5.3.1 Provide ONE difference between a fixed cost and a variable cost. (2)
- 5.3.2 Calculate the number of plastic bar-stools that the business needed to produce to break - even. (5)
- 5.3.3
- Comment on the break-even point calculated in QUESTION 5.3.2 and the level of production achieved. (3)
 - What advice would you offer SaSa for the future? Provide ONE point. (2)

INFORMATION:

- A. Cost structure for the financial year ended 31 December 2016:

		TOTAL AMOUNT (R)	UNIT COST (R)
Direct material cost	(VARIABLE COST)	1 576 800	54,00
Direct labour cost	(VARIABLE COST)	1 314 000	45,00
Factory overhead cost	(FIXED COST)	817 600	28,00
Selling and distribution cost	(VARIABLE COST)	467 200	16,00
Administration cost	(FIXED COST)	262 800	9,00

- B. Selling price of chairs: R155 each.
- C. 29 200 chairs were produced and sold during the current financial year.

QUESTION 6: FIXED ASSETS AND PROBLEM SOLVING**(30 marks; 20 minutes)****6.1 FIXED ASSET MANAGEMENT**

The information relates to Pitt Traders for the financial year ended 28 February 2017.

REQUIRED:

6.1.1 Prepare the Asset Disposal account for the trade-in on 1 December 2016. (9)

6.1.2 Calculate the amounts denoted by (i) to (iv) on the Fixed Asset note. (12)

INFORMATION:**A. Fixed Asset note**

	LAND AND BUILDINGS	VEHICLES	EQUIPMENT
Carrying value on 1 March 2016	1 500 000	250 000	
Cost		740 000	520 000
Accumulated depreciation	0	(ii)	(210 000)
Movements			
Additions	(i)	(iii)	160 000
Disposals	0	0	(77 248)
Depreciation	0	(iv)	
Carrying value on 28 February 2017	1 860 000		
Cost		1 070 000	
Accumulated depreciation			

B. Extensions to the warehouse were done.

C. A new vehicle was purchased on 1 November 2016.

D. On 1 December 2016, equipment with a cost of R142 000 was traded-in for new equipment. This trade-in resulted in a loss on disposal of R20 948.

E. Depreciation policy:
Vehicles: 15% on cost
Equipment: 20% on carrying value

6.2 PROBLEM SOLVING

Marie Jonker owns three minibus taxis. She is concerned about the performance of the business.

REQUIRED:

6.2.1 Identify ONE major problem related to each taxi. Quote figures. (6)

6.2.2 Provide a solution to the problems identified in QUESTION 6.2.1. (3)

INFORMATION:

Information from the business records on 30 June 2017, the financial year end.

	TAXI 1	TAXI 2	TAXI 3
Date purchased	1 July 1997	1 April 2013	1 May 2016
Cost of vehicle	R94 500	R230 000	R360 000
Accumulated depreciation	R94 449	R195 500	R84 000
Total revenue from taxi fares	R975 000	R600 000	R320 640
Kilometres covered	81 250 km	52 500 km	26 720 km
Fare per kilometre	R12	R12	R12
Fuel and repair cost	R585 000	R270 000	R65 000
Fuel and repair cost per kilometre	R7,20	R5,15	R2,45
Budgeted revenue from fares (total)	R2 500 000		
Fuel and repair budget (total)	R875 000		

30

TOTAL: 300