GAUTENG PROVINCE
EDUCATION
REPUBLIC OF SOUTH AFRICA

GAUTENG DEPARTMENT OF EDUCATION

PROVINCIAL EXAMINATION

JUNE 2017

GRADE 11

ACCOUNTING

Question	Topic	Marks	Time in minutes
1	Bank Reconciliation	50	30
2	Creditors' Reconciliation	20	12
3	Asset Disposal	50	30
4	Financial Statements	90	54
5	Partnerships: Capital and Current accounts	50	30
6	Analysis and Interpretation of Financial Statements	40	24
Total		**300**	**180**

TIME: 3 hours

MARKS: 300

15 pages

P.T.O.

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TIME: 3 hours
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INSTRUCTIONS AND INFORMATION

Read the following instructions carefully and follow them precisely.

1. Answer ALL the questions.
2. Show ALL workings in order for part marks to be allocated.
3. Read the instructions to each question carefully and follow them precisely.
4. Non-programmable calculators may be used.
5. All answers must be written in blue or black ink.

   Use the information in the table as a guide when answering the question paper. Try NOT to deviate from it.

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QUESTION 1 **(50 Marks; 30 Minutes)**

CONCEPTS, BANK RECONCILIATION AND INTERPRETATION

CONCEPTS

1.1 Give ONE term from the list below, for each of the following descriptions. Write only the term next to the question number (1.1.1–1.1.5) in the ANSWER BOOK. (5)

outstanding deposit; dishonoured cheque; stop payment; debit order; bank overdraft; outstanding cheque; asset register; post-dated cheque register

1.1.1 A facility whereby the business can use more money than they have in their current banking account

1.1.2 An item shown as an 'unpaid' cheque on the Bank Statement will be regarded as a / an … .

1.1.3 Permission granted to a third party to automatically receive monthly payments from the current account of a business

1.1.4 All post-dated cheques received must be kept in a safe place and recorded in a … .

1.1.5 The drawer of a cheque has the option to … on a cheque that has been lost.

BANK RECONCILIATION
The information has been taken from the books of Mercby Dealers on 30 September 2017.

1.2 Complete the table provided in the ANSWER BOOK in order to calculate the correct totals for the Cash Receipts Journal and the Cash Payments Journal for September 2017. NOTE: You are required to give the details and the amounts. (19)

1.3 Prepare the Bank Account in the General Ledger on 30 September 2017. (7)

1.4 Prepare the Bank Reconciliation Statement on 30 September 2017. (7)

1.5 A. Alli is the owner of Mercby Dealers. A new bookkeeper, Tommy, has recently been appointed following the unexpected disappearance of the previous bookkeeper, Borry.

Explain to Tommy why it is important that he prepares the Bank Reconciliation Statement at the end of each month. Provide THREE reasons. (6)

1.6 Give THREE advantages of internet banking. (3)

1.7 Explain the term ‘white collar crime’ and give ONE example. (3)

INFORMATION:

1. The following items appeared in the Bank Reconciliation Statement on 31 August 2017:

Unfavourable balance on the bank statement	2 860
Outstanding Deposit	2 000
Outstanding cheques:	
No. 015 (20 March 2017)	150
No. 100	500
No. 117	1 320
No. 118	640
Credit correction of error	1 460
Balance as per Bank account	?

2. Before receiving the September 2017 Bank Statement, the following provisional totals appeared in the Cash Journals:

   - CRJ R49 926
   - CPJ R49 800

3. The Bank Statement for September 2017 shows the following items which do not appear in the Cash Journals:

   - A deposit of R2 000 was received from a tenant, M. Shiba on 31 August 2017.
   - On 20 September 2017, a new cheque, no.121 for R300, to replace cheque no. 015 was issued to Tradeco, for Trading Stock purchased.
   - Mercby Dealers recorded cheque no.118 incorrectly as R640 instead of R460. It had been issued to Sunny Adverts for an advert placed in the local newspaper. The error must be corrected.
   - Cheque no.100 has been outstanding for some time. It had been issued to Best Stationers. This cheque must be cancelled as Best stationers are no longer in existence.
   - A stop order in favour of CTI Insurers for insurance, R1 520
   - Interest on a favourable Bank balance, R400
   - Bank charges totalling R786
   - The error made by the bank was corrected, R1 460.
   - A direct deposit made by I. May (a debtor), R4 100 in settlement of his account of R4 150

4. The following items appeared in the Cash Journals but not on the September Bank Statement:

   - Cheque no. 112 for R800 (dated 5 October 2017)
   - Cheque no. 113 for R400 (dated 15 November 2017) for a deposit on computer equipment bought from Nkuli Stationers
   - A deposit of R2 500 made on 30 September 2017
   - Calculate the Bank Statement balance on 30 September 2017.

50

QUESTION 2 **(20 marks; 12 minutes)**

CONCEPTS AND CREDITORS' RECONCILIATION

MATCHING

Choose a description from COLUMN B that matches a concept in COLUMN A. Write only the letter (A – E) next to the question number in the ANSWER BOOK.

2.1

	COLUMN A		COLUMN B
2.1.1	Original invoice	A	Summary of what each creditor owes
2.1.2	Creditors' list	B	Document that will appear on the Creditors' statement to acknowledge that the faulty goods were accepted back by the supplier
2.1.3	Debit note	C	Proof that payment has been received
2.1.4	Credit note	D	Document sent by the business to the supplier when goods are returned or an allowance is requested
2.1.5	Receipt	E	Document that records all purchases on credit

(5x1)

BEKI TRADERS

A statement of account received from AB Suppliers on 25 September 2017 reflects that BEKI Traders owes them R51 163. The Creditors' Ledger of the books of BEKI Traders reflects an outstanding balance of R57 312.

REQUIRED:

2.2 Calculate the correct balance for AB Suppliers in the Creditors' Ledger of BEKI Traders. (8)

2.3 Prepare a Creditors' Reconciliation Statement on 30 September 2017. (7)

INFORMATION:

A. **CREDITORS' LEDGER OF BEKI TRADERS**
AB SUPPLIERS (CL 7)

Date		Details	Fol	Debit	Credit	Balance
2017 Sept	**1**	**Account rendered**				**44 290**
	3	Invoice no. 223			10 808	55 098
	5	Debit note no. 96		618		54 480
	12	Cheque no. 181		21 108		33 372
		Discount		3 532		29 840
	15	Invoice no. 105			6 929	36 769
	23	Invoice no. 229			7 188	43 597
	24	Invoice no. 284 (After trade discount)			8 829	52 786
	30	Invoice no. 302			4 526	57 312

B. Statement of account received from AB Suppliers

AB SUPPLIERS
STATEMENT OF ACCOUNT

18 SNAKE ROAD — Tel: 032 705 0961
MLALAZI — Fax: 011 4125431
1511 — 25 September 2017
ACCOUNT OF: Beki Traders — ACCOUNT NO. ABC 543

Date		Details	Debit	Credit	Balance
2017 SEPT	1	Balance			44 290
	3	Invoice no. 223	10 296		54 586
	5	Credit Note no. 109	618		55 204
	12	Receipt no. 5140		21 108	34 096
	23	Invoice no. 228	7 188		41 284
	24	Invoice no. 284	9 810		51 094
	25	Interest on overdue account	69		51 163

ADDITIONAL INFORMATION:

On comparing the statement received from AB Suppliers with the account in the Creditors' Ledger the following was noted:

(a) Invoice no. 223 on 3 September 2017 was correct according to the statement received from AB Suppliers.

(b) AB Suppliers made an error in recording the return of goods on 5 September 2017.

(c) BEKI Traders qualified for an early settlement discount with the payment on 12 September 2017. AB Suppliers granted R2 532 as a discount. They promised to show this on their statement next month.

(d) Invoice no. 105 for R6 929 was recorded incorrectly in the Creditors' Ledger Account of AB Suppliers. This purchase was made from ABA Suppliers.

(e) A trade discount of 10% was deducted on invoice no. 284. AB Suppliers did not take this into account. AB Suppliers will correct this error next month.

(f) Invoice no. 302 did not appear on the statement received from AB Suppliers as this transaction took place after their statement date.

(g) AB Suppliers have correctly charged interest of R69 on the account. **20**

QUESTION 3 **(50 Marks: 30 Minutes)**

ASSET DISPOSAL

3.1 Give the correct word(s) to complete each of the following statements. Write only the term next to the question number (3.1.1 – 3.1.4) in the answer book**.** (4)

3.1.1 According to the … concept all assets are recorded at the original cost price.

3.1.2 Details of each individual fixed asset are recorded in the … .

3.1.3 Cost price of an asset – the accumulated depreciation = … .

3.1.4 The total value of an asset lost due to usage, wear and tear is called … .

3.2 The following information was taken from the accounting records of Pay Day Traders. The financial year ends on 28 February.

REQUIRED:

3.2.1 Show the calculations for Accumulated Depreciation marked (a) to (d) on the table provided in the ANSWER BOOK. (13)

3.2.2 Refer to information C and compete the Asset Register for Item 2. (3)

3.2.3 Prepare the Asset Disposal Account for the vehicle that was sold on 28 February 2017. (8)

3.2.4 Prepare the Tangible Asset Note in the Balance Sheet as at 28 February 2017. (22)

INFORMATION:

List of balances on 28 February 2017

A.

Land and Buildings	6 789 720
Vehicles	810 000
Equipment	210 000
Accumulated depreciation on vehicles	387 600
Accumulated depreciation on equipment	77 000

B. **Land and Buildings**

- A building was purchased during the financial year for R2 000 000. This has been properly recorded.
- Land and buildings to the value of R980 000 were sold at cost on the last day of the financial year. The entry has not yet been recorded.

C. **Equipment**

- The following information appeared in the asset register regarding equipment:

	Date purchased	**Cost price**
ITEM 1	1 March 2010	R70 000
ITEM 2	1 June 2013	R60 000
ITEM 3	1 March 2015	R35 000
ITEM 4	1 August 2016	R45 000

- All equipment is depreciated at 10% p.a. on cost.
- Item 4 was purchased during the financial year. The transaction was recorded properly in the books of the business.
- Item 2 was sold on 1 September 2016. The transaction was not recorded.

D. **Vehicles**

- A new vehicle costing R330 000 was purchased and paid for by cheque on 1 January 2017. This entry has not been recorded.
- On 28 February 2017 a vehicle costing R200 000 was sold for cash, R72 000. The business made a loss of R9 920 on the sale of the asset. This entry still needs to be recorded. The vehicle was purchased on 1 March 2013.
- Depreciation on vehicles is calculated at 20% p.a. on the diminishing balance method.

QUESTION 4 **(90 Marks: 54 Minutes)**

FINANCIAL STATEMENTS

4.1 Match the concept in **COLUMN A** with the description in **COLUMN B**. Write only the correct letter (A – H) in your ANSWER BOOK.

	COLUMN A		**COLUMN B**
4.1.1	Income Statement	A	Analysis of the financial position of the business
4.1.2	GAAP	B	Remaining value of an asset after it has been fully depreciated
4.1.3	Depreciation	C	Finance cost
4.1.4	Principle of Materiality	D	When classifying a transaction, the seriousness or impact on the profits must be considered.
4.1.5	Balance Sheet	E	These principles make it possible to compare the financial results of different businesses.
4.1.6	Matching Principle	F	Shows the profitability of the business
4.1.7	Interest	G	Imputed expense
4.1.8	Residual Value	H	Incomes earned and expenses incurred must be shown for the same financial period.

(8)

4.2 The following information relates to Big Blue Stores. The financial year ended on 28 February 2017. The business uses the perpetual inventory system.

REQUIRED:

4.2.1 Complete the Income Statement for the year ended 28 February 2017. (48)

4.2.2 Prepare the following notes to the Balance Sheet.

- Trade and other receivables (9)
- Trade & other payables (25)

INFORMATION:

Balance sheet accounts	**Debit**	**Credit**
Fixed deposit: Investec Bank	460 000	
Debtors' control	63 190	
Provision for bad debts		3 450
Trading stock	697 400	
Bank		7 800
Creditors' control		197 000
Creditors for salaries		48 000
Pension fund		6 500
SARS: PAYE		12 000
UIF		1 500
Mortgage loan: Nedbank		652 000
Nominal Accounts		
Sales		4 220 700
Cost of sales	1 100 720	
Debtors' allowances	12 500	
Salaries and wages	288 090	
Bad debts	2 790	
Rent expense	63 360	
Advertising	292 330	
Water and electricity	72 000	
Packing materials	16 070	
Bank charges	1 675	
Interest on current account		847
Interest on fixed deposit		13 000
Insurance	18 300	

Adjustments and additional information:

1. On 28 December 2016, T Chance, a debtor, returned damaged goods. The selling price was R850 and the mark-up was 25% on cost price. The goods were immediately sent to the supplier, who issued a credit note. No entries have been made in the books.
2. Trading stock on hand, as per physical stock taking on 28 February 2017, amounted to R698 900.
3. Packing material to the value of R15 700 was used during the year.
4. The insolvent estate of E Pain paid out 40 cents in the rand and transferred R360 directly into the bank account of the business on 5 December 2016. This has been recorded. The rest of his outstanding balance must be written-off and the provision for bad debts must be adjusted to R3 090.
5. A debtor with a credit balance of R11 700 is to be transferred to the Creditors' Ledger.
6. One employee was erroneously left out of the salaries journal for February 2017. The details from his pay-slip were:

Net Salary	R18 375
PAYE deduction	R4 500
Pension deduction	R1 875
UIF deduction	R250

The business contributions were:

- Pension Fund: 10,5% of Gross Salary
- UIF: Rand-for-rand basis

Note: All contributions are debited to the salaries and wages account.

7. Rent expense was increased by 10% on 1 February 2017. The rent for March 2017 has already been paid.
8. The total depreciation for the financial year amounted to R83 200.
9. The water and electricity account for February 2017 has not been paid, R11 000.
10. The bank statement from FNB reflected the following:
    - Interest on overdraft, R315.
    - Bank charges, R670.
    - EFT from S. Sibanoyoni previously written off as irrecoverable, R3 600.

11. The loan statement from Nedbank on 28 February 2017 reflects the following:

Balance on 1 March 2016	R665 600
Total payments during the year	R103 200
Balance on 28 February 2017	R652 000

- Interest for the year must be capitalized.

12. The following cheques issued to suppliers had not yet been presented for payment by 28 February 2017:

- No. 1270 for R2 580
- No. 1280 for R1 850

QUESTION 5 **(50 Marks: 30 Minutes)**

PARTNERSHIPS

The following information was taken from the accounting records of S Gous and L Naidoo. Their financial year ended on 28 February 2017.

Required:

5.1 Capital Note on 28 February 2017 (5)

5.2 Calculation of Interest on Capital 28 February 2017 (10)

5.3 Current Account Note 28 February 2017 (25)

5.4 Prepare the Equity & Liability sections of the Balance Sheet on 28 February 2017. (10)

INFORMATION:

1. Balances on 28 February 2017, the last day of the financial year:

Capital: Gous (1 March 2016)	2 080 000
Capital: Naidoo (1 March 2016)	1 920 000
Current Account: Gous (1 March 2016)	25 000
Current Account : Naidoo (1 March 2016)	112 000(Dr)
Drawings: Gous	875 000
Drawings: Naidoo	910 000
Bank overdraft	705 000
Trade creditors	120 000
Loan: Nedbank	900 000

2. A mortgage loan of R1 000 000 was negotiated from Nedbank on 1 March 2016. All entries relating to loan repayments and interest for the current financial year have been recorded. In the next financial year the business will be reducing the capital amount of the loan by R100 000.

3. Gous increased his capital contribution on 28 February 2017 to R2 880 000. No entry for this was recorded in the books of the business. Naidoo's capital contribution remained unchanged.

4. Naidoo returned merchandise which was unsuitable for his personal use with a cost price of R5 000 before stock taking had been completed. The goods returned have not yet been recorded.

5. The partnership agreement stipulates the following:

    - Partners are entitled to monthly salaries of R65 000 each.
    - Partners are entitled to interest of 8% p.a. on their capital balances on the 1st day of the financial year.
    - On 1 December 2016 the partners increased the rate to 12% p.a.
    - Gous receives a special bonus of 5% of the net profit.

6. After all the year-end adjustments were taken into account, the net profit for the financial year amounted to R2 030 000.

7. Remaining profits and losses must be shared in proportion to the capital balances at the end of the financial year.

QUESTION 6 **(40 marks: 24 minutes)**

ANALYSIS AND INTERPRETATION OF FINANCIAL STATEMENTS

The information provided was extracted from the Financial Statements of Mikfia Tutors.

Partners Mikyl and Fia started their Tuition Centre in 2017.

All calculations in this question must be **rounded-off to 2 decimal places**.

REQUIRED:

6.1 Calculate the percentage return on the partnership's average equity. Comment and use figures to support your answer. (9)

6.2 Calculate the percentage return earned by Mikyl on her average equity. Should she be satisfied? Substantiate your answer. (9)

6.3 Calculate the Debt : Equity ratio for 2017. (3)

6.4 Was it a good idea to increase the loan? Use financial indicators with figures / percentages to support your answer. (4)

6.5 Comment on the liquidity position of the business. Quote THREE relevant financial indicators (actual figures / ratios / percentages) and their trends. (9)

6.6 Comment on the following financial indicators. Note that the intended mark-up is 50% on cost of sales.

- % Gross profit on cost of sales (3)
- % Operating expenses on sales (3)

In each case, provide a reason for the improvement or the decline, with figures.

INFORMATION:

1. Extract from the Balance Sheet

	28 Feb 2017	28 Feb 2016
Owners' Equity	420 000	234 000
Capital: Mikyl	200 000	160 000
Capital: Fia	200 000	80 000
Current Account: Mikyl	8 000	2 000
Current Account: Fia	12 000	(8 000)
Non-current liabilities	360 000	280 000

2. **ADDITIONAL INFORMATION:**

A. The net profit for the year ended 28 February 2017 amounted to R58 000.

B. Partner Mikyl earned a total of R37 000 for the year ended 28 February 2017.

C. The following financial indicators were calculated for 2017:

RATIO	2017	2016
% Return earned on business equity	?	24%
% Return earned by Mikyl	?	26%
% Return earned by Fia	23%	23%
Debt : Equity ratio	?	1,2:1
Current ratio	2,29:1	1,6:1
Acid test ratio	1,57:1	0,6:1
Average debtors' collection period	30 days	55 days
% Operating expenses on turnover	40%	50%
% Gross profit on cost of sales	50%	60%

D. The debtors' payment period is 30 days as per the credit policy.

E. Creditors are settled after 60 days as stated in creditors' agreements.

F. The interest rate on the loan from Rand Bank is 21% p.a. Interest paid during the current year amounted to R57 600.

G. Money can be invested at 10% interest p.a.

40

TOTAL: 300

END