GAUTENG PROVINCE
EDUCATION
REPUBLIC OF SOUTH AFRICA

GAUTENG DEPARTMENT OF EDUCATION

PROVINCIAL EXAMINATION

JUNE 2019

GRADE 11

ACCOUNTING
PAPER 2

TIME: 2 hours

MARKS: 150

10 pages and 1 formula sheet

P.T.O.

INSTRUCTIONS

1. Answer ALL the questions.
2. A special ANSWER BOOK is provided in which ALL questions are to be answered.
3. A FORMULA SHEET for financial indicators is provided in ANNEXURE A at the back of this question paper.
4. Show ALL workings in order to earn part marks.
5. You may use a non-programmable calculator.
6. You may use a dark pencil or blue / black pen to answer the questions.
7. Where applicable, show all calculations to ONE decimal point.
8. Write neatly and legibly.
9. Use the information in the table as a guide when answering the question paper. Try not to deviate from it.

Question	Topic	Marks	Time
1	Bank Reconciliation	40	32 minutes
2	Creditors' Reconciliation	40	33 minutes
3	Fixed Assets	50	39 minutes
4	Internal Control	20	16 minutes
		150	**120 minutes**

QUESTION 1: Bank Reconciliation **Marks: 40 Time: 32 minutes**

1.1 Answer the following questions.

1.1.1 Is it necessary for a small business to prepare monthly Bank Reconciliations? Provide a reason for your answer. (3)

1.1.2 Explain the procedure that needs to be followed at the end of a financial period regarding a post-dated cheque issued.
Which GAAP principle is applied? (3)

1.2 The bookkeeper of Disney World totalled the Cash Journals for June 2019 before the Bank Statement for June 2019 had been received.

REQUIRED:

Use the relevant information to prepare the following:

1.2.1 The correct Bank account in the General Ledger of Disney World. Enter all relevant transactions directly into the Bank account, using the correct contra accounts as details.
The account must then be properly balanced. (23)

1.2.2 Prepare the Bank Reconciliation Statement on 30 June 2019. (11)

INFORMATION:

The following information must be taken into account:

1. On 01 June 2019 the Bank account in the General Ledger of Disney World showed an unfavourable balance of R2 410.

2. The following totals have not yet been posted from the Cash Journals of June 2019:

   2.1 Cash Receipts Journal, Bank column – R26 665
   2.2 Cash Payments Journal, Bank column – R29 343

3. The Bank Statement received from Evil Queen's Bank at the end of June 2019 showed a favourable balance of R99 957.

4. Cheque number 488 which had been issued on 24 May 2019 for R400 appeared on the Bank Statement on 05 June 2019. The cheque was issued to Seven Dwarfs' Store for inventory bought. The cheque did not appear in the Cash Journal for June 2019.

5. A cheque received from a debtor, Cinderella Traders, for R200 in settlement of an account of R220, was shown on the Bank Statement for June 2019 as 'unpaid'. The reason given was 'cheque post-dated'.

6. A tenant, Jafar Boutique, had paid his rent of R700 for July 2019 directly into the bank account of Disney World on 25 June 2019.

7. It was found that the bookkeeper of Disney World had not entered a donation made to the local orphanage for R100 in any of the Cash Journals .The EFT was however, debited on the Bank Statement on 17 June 2019.

8. The following debits appears on the Bank statement for June 2019:

   8.1 Interest, R34
   8.2 Service fees, R18
   8.3 Cash handling fees, R10
   8.4 Credit card fees, R18

9. Cheque number 559, sent to a creditor, Maleficent Suppliers, on 12 June 2019 in full settlement of the business's debt of R500 less 5 % discount, was lost in the post. The cheque must be stopped. On 30 June 2019 a new cheque (number 601) was issued. The discount will no longer be granted by the creditor.
   No entries have been made.

10. A direct deposit of R100 000 appeared on the Bank Statement for June 2019. After investigation, it was found that Cruela de Vil Stores deposited the amount into the bank account of Disney Euro, but got the account number wrong.

11. A stop order for R200 in favour of Snow White Insurers for the owner's personal cellphone insurance, appeared twice on the Bank Statement for June 2019.

12. A deposit of R500 made on 30 June 2019 did not appear on the Bank Statement for June 2019.

13. The following payments appears in the Cash Payments Journal for June 2019 but not on the Bank Statement for June 2019:

    13.1 Cheque number 450 for R150 (dated 21 August 2019).
    13.2 An EFT for R5 000 on 30 June 2019.

[40]

QUESTION 2: CREDITORS' RECONCILIATION Marks: 40 Time: 33 minutes

The owner of Stationery Galore, Ms Green Glitter, requested your help to reconcile the account of a creditor, Purple Pencils.

Ms Green Glitter is of the opinion that her business only owes R13 266 to Purple Pencil. She is therefore upset that the statement she received from Purple Pencil reflects an outstanding amount of R26 727.

REQUIRED:

2.1 Prepare the corrected account for Purple Pencil in the Creditors Ledger of Stationery Galore on 30 April 2019. (15)

2.2 Prepare the Creditor's Reconciliation Statement on 30 April 2019. (13)

2.3 The business has a policy that states that no order should be more than R6 000.
An investigation was launched into invoice 250 for R10 000.
After the investigation, it was found that invoice 250 had been issued to Stationery Galore.
The items on the invoice were ordered by I. Steale, a new employee, using a business order form.
However, these items have not been received by Stationery Galore.
The creditor, Purple Pencils, confirmed that these items had been delivered to the business and sent a copy of the delivery note, signed by I. Steale.

2.3.1 Briefly explain what I. Steale has done. State TWO separate points. (2)

2.3.2 Explain THREE internal control measures that need to be introduced by Stationery Galore to avoid a recurrence of this. (6)

2.3.3 Mention TWO actions Stationery Galore can take against I. Steale, other than a disciplinary hearing. (4)

INFORMATION

1. The following account appears in the Creditors' Ledger of Stationery Galore on 30 April 2019:

Creditors Ledger of Stationery Galore
Purple Pencils **C3**

Date		Details	fol	Debit	Credit	Balance
2019 Apr	01	Balance	b/d		2 000	2 000
"	02	Invoice 250	CJ 2		10 000	12 000
"	03	Receipt 417	CRJ 2		600	12 600
"	06	Invoice 338	CJ 2		3 850	16 450
"	10	Cheque 1048	CPJ 2	3 630		12 820
"		Discount (cheque 1048)	CPJ 2	330		12 490
"	11	Invoice 619	DJ 2	1 870		10 620
"	12	Debit note 72	CAJ 2	297		10 323
"	15	Invoice 342	CJ 2		5 200	15 523
"	20	Debit note 75	CAJ 2	350		15 173
"	24	Cheque 1059	CPJ 2	2 420		12 753
"		Discount (cheque 1059)	CPJ 2	242		12 511
"	26	Invoice 2301	CJ 2		4 400	16 911
"	30	Cheque 1067	CPJ 2	4 050		12 861
"		Discount (cheque 1067)	CPJ 2		405	13 266

2. On 28 April 2019 Ms Green Glitter received the following Statement of Account from Purple Pencils:

Purple Pencils
Statement of Account for Stationery Galore

Date		Details	Debit	Credit	Balance
2019 Apr	01	Balance	2 000		2 000
	02	Invoice 205 - Sales	10 000		12 000
"	06	Invoice 338 – Sales	3 850		15 850
"	10	Receipt 1104 – payment received		3 630	12 220
"		Discount allowed on receipt 1104		363	11 857
"	12	Credit note 143 – allowance		270	11 587
"	15	Invoice 342 – sales	5 720		17 307
"	19	Invoice 347 – sales	2 310		19 617
"	20	Credit note 145 – allowance		350	19 267
"	24	Receipt 1112 – payment received		2 420	16 847
"		Discount allowed on receipt 1112		121	16 726
"	27	Invoice 351 – sales	10 001		26 727

3. Additional information:

3.1 The entry on 03 April 2019 in the Creditors' Ledger was posted in error to the account of Purple Pencils. The payment was received from a debtor, Yellow Stationers.

3.2 Ms Green Glitter has an arrangement with Purple Pencils that a 10 % discount will be received on each payment made – see entries on 10th, 24th and 30th April 2019.

3.3 Invoice 619 for R1 870 on 11 April 2019 was in error posted to the account of Purple Pencils. This was actually for credit sales to Purple for All.

3.4 On 12 April 2019 an entry for R297 was made in the Creditors' Allowances Journal. An investigation showed that this is the correct amount for the allowances given by Purple Pencils.

3.5 An error was made when posting the transaction on 15 April 2019 from the Creditors' Journal to the account of Purple Pencils. The amount on the Statement of Account for this transaction is the correct amount.

3.6 Invoice 347 on 19 April 2019 on the Statement of Account was meant for another business, Pens Galore.

3.7 Invoice 2301 for R4 400 on 26 April 2019 was issued by Purple Wholesalers.

3.8 Invoice 351 received from Purple Pencils was left out of the Creditors' Journal of Stationery Galore by mistake.

3.9 There was a posting error in the Creditors' Ledger of Stationery Galore on 30 April 2019 that still needs to be corrected.

3.10 Certain entries do not appear on the Statement of Account as the Statement was sent on 28 April 2019 while the Creditors' Ledger continues till 30 April 2019.

[40]

QUESTION 3: FIXED ASSETS **Marks: 50 Time: 39 minutes**

You are presented with information taken from the accounting records of Fruit City for the financial period 01 March 2018 to 28 February 2019.

REQUIRED:

3.1 Show all calculations for depreciation (9)

3.2 Prepare the following accounts in the General Ledger of Fruit City. Close off all accounts

3.2.1 Vehicles (5)

3.2.2 Asset Disposal (9)

3.3 Prepare the Asset Note on 28 February 2019. (25)

3.3 What is the main purpose of the Asset Register? (2)

INFORMATION:

1. The following balances, amongst others, appeared in the General Ledger of Fruit City on 28 February 2019, the end of the financial period:

Land and Buildings	450 000
Vehicles	150 000
Accumulated Depreciation on Vehicles	62 000
Equipment	98 000
Accumulated Depreciation on Equipment	36 000

2. Depreciation of Assets: (show all calculation in the table provided in the answer booklet).

2.1 Calculate depreciation on vehicles at 20% per annum on the cost price method.

2.2 Calculate depreciation on equipment at 25% per annum on book value.

3. **Additional Information:**

3.1 On 01 April 2018 extensions of R34 000 were completed to the office building. A further R5 000 was spent to repair a leaking roof in the store room. A cheque for R39 000 has been issued to Rapid Builders. The transaction has been properly entered in the records of Fruit City.

A new valuation of the property has also been completed. After the extensions the property is now valued at R 600 000.

3.2 On 31 August 2018 a new computer system was bought for R30 000. A further R5 600 was paid to get the network up and running. As the bookkeeper was not sure how to deal with the network fee of R5 600, he did not enter the entire transaction in the records of Fruit City.

3.3 On 01 October 2018 one of the vehicles, with an original cost price of R63 000 and an accumulated depreciation of R35 000 on 01 March 2018, was traded in at a **profit of R1 600** against a new vehicle bought on credit for R180 000. The transactions have not been entered in the accounting records of the business.

3.4 On 28 February 2019 depreciation was written off on all the affected fixed assets. This must still be recorded.

[50]

QUESTION 4: INTERNAL CONTROL **Marks: 20 Time: 16 minutes**

The following financial indicators for the past two years were taken from the accounting records of Disney Paris, a partnership with Minnie and Mickey as partners.

Take note that over the past few years the business has always managed to achieve its intended mark-up percentage.

Financial indicator	31 December 2018	31 December 2019
Mark-up %	20 %	40 %
Operating expenses on turnover	26 %	27 %
Net profit on turnover	18 %	08 %
Debtors collection period	30 days	45 days
Creditors payment period	30 days	30 days
Stock holding period	28 days	65 days

REQUIRED:

Answer the following questions. Name the financial indicator and quote figures to substantiate all answers.

4.1 The business has changed its pricing policy.
Is the statement true or false? Provide ONE reason for your answer. (3)

4.2 With reference to your answer to Question 4.1, motivate whether this was a good decision. (3)

4.3 Does the business have good control over its expenses? Give ONE reason for your answer. (3)

4.4 The business has revised its debt collection policy in January 2019. Was this a good idea? Give ONE reason for your answer. (3)

4.5 The business is considering paying its creditors after the 30 days term agreed upon. Mention TWO factors that must be considered before this happens. (4)

4.6 Comment on the stock holding period. Mention TWO (2) points. (4)

[20]

150

END

ANNEXURE A

FORMULA SHEET

$$\frac{Gross\ Profit}{Sales} \times \frac{100}{1}$$

$$\frac{Gross\ Profit}{Cost\ of\ Sales} \times \frac{100}{1}$$

$$\frac{Operating\ profit}{Sales} \times \frac{100}{1}$$

$$\frac{Operating\ expenses}{Sales} \times \frac{100}{1}$$

$$\frac{Net\ profit}{Sales} \times \frac{100}{1}$$

$$\frac{Net\ profit}{Average\ partners'\ equity} \times \frac{100}{1}$$

$$\frac{Amount\ earned\ by\ the\ partner}{Average\ partner's\ equity} \times \frac{100}{1}$$

$$Total\ Assets : Total\ Liabilities$$

$$Current\ Assets : Current\ Liabilities$$

$$Current\ Assets - Inventory : Current\ liabilities$$

$$\frac{Cost\ of\ sales}{Average\ stock}$$

$$\frac{Average\ stock}{Cost\ of\ sales} \times \frac{365}{1}$$

$$\frac{Average\ Debtors}{Credit\ sales} \times \frac{365}{1}$$

$$\frac{Average\ creditors}{Credit\ purchases} \times \frac{365}{1}$$

$$Non - current\ liabilities : Partners\ Equity$$