Education and Sport Development

Department of Education and Sport Development
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NORTH WEST PROVINCE

PROVINCIAL MID-YEAR EXAM

GRADE 11

ACCOUNTING
JUNE 2017
QUESTION PAPER

MARKS: 300

TIME: 3 hours

This question paper consists of 18 pages, including this one.

INSTRUCTIONS AND INFORMATION:

Read the following instructions carefully and follow them precisely.

1. Answer **ALL** the questions.
2. A special ANSWER BOOK is provided in which to answer **ALL** the questions.
3. Workings must be shown in order to achieve part-marks.
4. Non-programmable calculators may be used.
5. You may use a dark pencil OR blue ink to answer the questions.

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

QUESTION 1: 65 marks; 40 minutes	
Topic of the question:	
Reconciliations	**Financial Accounting** • Basic concepts • Bank reconciliation • Creditors reconciliations **Managing resources** • Internal Control

QUESTION 2: 65 marks; 40 minutes	
Topic of the question:	
Sole traders: Financial statements	**Financial accounting** • Income Statement • Note to financial statement

QUESTION 3: 50 marks; 30 minutes	
Topic of the question:	
Partnerships: Financial statements	**Financial accounting** • Notes to the Balance Sheet • Accounting equation

QUESTION 4: 50 marks; 30 minutes	
Topic of the question:	
Non-profit organisations: Clubs	**Financial accounting** • Concepts • Ledger accounts • Analysis of transactions **Managing resources** • Internal Control

QUESTION 5: 45 marks; 25 minutes	
Topic of the question:	
Fixed/Tangible Asset and Internal Control.	**Financial Accounting** • Note for fixed assets **Managing Resources** • Asset Disposal • Problem solving

QUESTION 6: 25 marks; 15 minutes	
Topic of the question:	
Analysis and Interpretation	**Financial accounting** • Ratio analysis

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QUESTION 1: CONCEPTS, BANK AND CREDITORS RECONCILIATION (50 marks; 30 minutes)

1.1 CONCEPTS

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

outstanding deposit; dishonoured cheque; debit order; stale cheque; bank overdraft; post-dated cheque; outstanding cheque; bank charges

1.1.1 A cheque that is more than six months old will not be cashed by the bank because it is a/an … (1)

1.1.2 Permission granted to a third party to automatically receive monthly payments from the current account of a business, is called … (1)

1.1.3 Charges made by the bank against the account holder in order to operate the banking account is called… (1)

1.1.4 An item shown as an 'unpaid' cheque on the Bank Statement will be regarded as a/an ... (1)

1.1.5 A facility whereby the business can use more money than it has in its current banking account ... (1)

1.2 BANK RECONCILIATION

The following information was extracted from the books of Michael Traders.

REQUIRED

1.2.1 Make supplementary entries in the following books on 30 November 2016:

- Cash Receipts Journal (7)
- Cash Payments Journal (13)

1.2.2 Draw up and balance the Bank Account on 30 November 2016. (5)

1.2.3 Prepare the Bank Reconciliation Statement on 30 November 2016. (8)

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INFORMATION

A. Bank Reconciliation Statement of Michael Traders on31 October 2016.

	Debit	Credit
Balance according to Bank Statement	37 200	
Credit outstanding deposit		21 049
Debit outstanding cheques:		
No. 2134 (Dated 10 May 2016)	550	
No. 3002 (Dated 24 October 2016)	3 600	
No. 3013 (Dated 1 December 2016)	12 348	
Balance as per Bank Account		32 649

B. Provisional totals of Cash Journals on 30 November 2016

Cash Receipts Journal R174 890

Cash Payments Journal R124 760

C. Additional information

1. The Bank Statement received from AbsailBank on 30 November 2016, showed a credit balance of R23 014.

2. A comparison of the Bank Statement with the Cash Journals for November 2016 and the Bank Reconciliation Statement for October 2016 revealed the following:

   Entries that appeared on the Bank Statement only and not in the Cash Journals:

   Outstanding deposit of R21 049

   Cheque no. 3002 for R3 600

   A direct deposit of R4 400 by A. Alex, the tenant, for November 2016 rent.

   Debit order for insurance to Joel Insurers, R980.

   Dishonoured cheque for R266, received from a debtor, M. Morake, during October 2016 in settlement of his account of R280.

   Service fees R521

   Cash deposit fees R322

   Interest on overdraft R651

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3. Entries that appeared in the Cash Journals only but not on the Bank Statement:

- A deposit of R19 870 made on 30 November 2016.
- Cheque no. 3102 for R3 230

4. **Additional errors and omissions**

- Cheque no. 2134 was issued to Kiddo childcare on 10 May 2016 as a donation. The care centreis no longer in existence.
- The bank mistakenly credited the business bank account with a deposit of R5 800 made by the owner into his personal bank account.
- Cheque no. 3116 issued to Office Maniafor stationery was entered as R1 227 in the CPJ. The bank statement reflects the correct amount as R1 772.
- Cheque no. 3121 was issued to Ramofoko Repairs for repairs to the vehicle, R2 360. This cheque was lost by the payee and payment of the cheque was stopped. A new cheque (no. 3132) was issued but not yet deposited into the bank account by Ramofoko Repairs. No entries were made of all these transactions.

1.3 INTERNAL CONTROL

REQUIRED

Read the scenario below and then answer the following questions:

Mary Mashu, the bookkeeper, issues invoices, credit notes and collects cash from debtors. She recorded cash slip CS371 as R25 500 on the 30 June 2016 in the business's books. However, the internal auditor has noticed that the same cash slip was recorded by the bank on the 15 July 2016 and that it actually amounts to R18 500.

1.3.1 As an internal auditor, explain TWO concerns you have over Mary's duties. (4)

1.3.2 Identify TWO problems with reasons with the cash slip and the deposit thereof and give advice to solve each of them. (The advice must be different for each problem). (8)

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1.4 Wonnie Stores purchase goods on credit from Wonderkop Ltd.

REQUIRED
Use the table in the ANSWER BOOK to indicate how the relevant balances will change when preparing the creditors' reconciliation. Indicate the figure as well as a **+** for increase and a **–** for decrease. The first transaction (Information A) has been done for you.

INFORMATION:
The following balances are provided: **(15)**

In the account of Wonderkop Ltd in the Creditors' Ledger of WonnieStores on 30 September 2016:	R112 820	Credit
On the statement received from Wonderkop Ltd on 25 September 2016:	R182 150	Debit

The following errors and omissions were discovered during an investigation:

A. A payment of R9 000 by Wonnie Stores was omitted from the Creditors' Ledger and the statement.

B. An invoice for R87 500 appears on the statement from Wonderkop Ltd, but was not recorded by Wonnie Stores.

C. An invoice for R28 000 received from Wonderkop Ltd was recorded correctly by Wonnie Stores. The statement of account reflects it as R20 800.

D. Wonnie Stores had correctly recorded a discount of R1 400 for early payment of their account. This has not been reflected on the statement from WonderkopLtd.

E. The statement reflects interest of R630 on the overdue account. Wonderkop Ltd acknowledged that an error had been made and promised to reverse the entry in the October 2016 statement.

F. A debit note for R2 100 issued to WatervalLtd was incorrectly recorded in the account of Wonderkop Ltd by WonnieStores.

G. A credit note for R5 250 received fromWonderkop Ltd for goods returned was incorrectly recorded as an invoice by Wonnie Stores.

H. Goods for R4 600 purchased from WonderkopLtd on 30 September 2016 were recorded by WonnieStores. The statement from WonderkopLtd ends on 25 September 2016.

65

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QUESTION 2: INCOME STATEMENT AND NOTE FOR TRADE ANDOTHER RECEIVABLES (65 marks; 40 minutes)

You are provided with information taken from the books of Monaco Traders. Their financial year ends on 28 February 2017.

REQUIRED

2.1 Prepare the Statement of Comprehensive Income/Income Statement for the year ended. (54)

2.2 Prepare the trade and other receivables note. (11)

INFORMATION

Extract from the Pre-Adjustment Trial Balance on 28 February 2017

BALANCE SHEET SECTION	Debit	Credit
Loan : Bank of Africa		187 000
Fixed Deposit: Bank of America 10% p.a.	150 000	
Trading stock	70 000	
Debtors control	182 840	
Provision for bad debts		2 400
NOMINAL ACCOUNTS SECTION		
Sales		1 520 000
Cost of sales	600 000	
Debtors allowances	23 800	
Rent income		88 200
Salaries and wages	264 000	
Employer's contribution	30 800	
Bad debts	13 200	
Water and electricity	48 900	
Discount allowed	2 430	
Telephone	17 800	
Insurance	28 800	
Packing material	18 206	
Bank charges	4 846	
Interest on loan	?	
Interest on fixed deposit		13 750

ADJUSTMENTS AND ADDITIONAL INFORMATION

1. The debtor F. Fanie returned goods with the selling price of R6 480. The mark-up on cost is 80%. This transaction was never recorded.

2. The physical stock-taking was done on 28 February 2017, and stock to the value of R67 500 was on hand.

3. Packing material to the value of R6 750 was used during the accounting period.

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4. Received the account for water and electricity for February 2017 from the City Council, R1 200. No entry was made.

5. M Monteiro, a debtor, was declared insolvent. The business received a final dividend of 40 cents in each rand. The R360 that was received was properly recorded and banked on 26 February 2017. The remainder must still be written off as irrecoverable.

6. The Bank statement from Bank of Africa reflected the following on 28 February 2017:
   - Bank charges R200
   - Interest on current account R155
   - Unpaid cheque (in settlement of a debt of R490) R450

7. Provision for bad debts must be adjusted to R2 220.

8. Insurance expense includes an annual premium of R1 320 paid for the period 1 August 2016 to 31July 2017.

9. One employee was omitted from the Salaries Journal for February 2017:

Gross Salary	Deductions	Employers Contribution	Net Salary
?	R3 650	R750	R10 400

10. Rent income includes rent for March and April 2017. Note that rent was increased by 10% on 1 October 2016.

11. The loan statement received from the Bank of Afrika:

	R
Balance on 1 March 2016	277 000
Capitalised interest	?
Repayments during the year including interest	90 000
Balance on 28 February 2017	215 000

Interest is capitalized at the beginning of each year.

12. Interest on fixed deposit is still outstanding. The fixed deposit was unchanged during the financial year.

13. Depreciation on tangible/fixed assets amounts to R34 000 for the year.

65

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QUESTION 3: NOTES TO THE BALANCE SHEET AND ACCOUNTING EQUATION. (50 marks; 30 minutes)

The information was extracted from the books of Monate Traders, owned by Sausage and Roll, the financial year ends on 30 June 2017.

REQUIRED

3.1 Prepare the following notes for the financial year ended 30 June 2017.

3.1.1 Capital note (8)

3.1.2 Current Accounts note (30)

INFORMATION

A. Balances 1 Julie 2016:

		R
Capital: Sausage		480 000
Capital: Roll		320 000
Current account: Sausage	(Cr)	8 000
Current account: Roll	(Dr)	7 500

B. Additional information

1. Rollgive his personal vehicle worth R80 000 on 1 January 2017to the partnership, and requested that the vehicle be regarded as an additional contribution. His partner Sausage agreed.

2. Partner Sausage deposited an additional R120 000 cash on 1 January 2017 to increase his capital.

3. Drawings during the year:
   - Sausage - R240 800
   - Roll – R147 500

C. The partnership agreement stipulates the following:

1. Both partners are entitled to yearly salary of R180 000.
   Note: On 1 January 2017, the partners agreed to give an extra responsibility of bookkeeping to Sausage. Hissalary was increased by R24 000 p.a.

2. Both partners are entitled to an annual bonus of R15 000.

3. Interest on capital must be calculated at 12% p.a. (Remember the changes of capital during the year.)

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4. The remaining profit must be divided equally between the two partners.

5. The net profit on 30 June 2017 amounts to R530 000.

3.2 ACCOUNTING EQUATION

Hans and Lam are partners of Hanslam Clothes.

REQUIRED

Use the example below to analyse the transactions that follow. Indicate an increase with +, a decrease with – and no change with 0. Assume that the bank account balance is favourable at all times. (12)

Example: Paid the telephone account by cheque, R500.

No.	Assets	Equity	Liabilities
e.g.	- 500	- 500	0

Transactions

3.2.1 Partner Lam withdrew R4 800 trading stock from the business for his personal use.

3.2.2 Cash sales for R12 000. The mark-up is 60% on cost.

3.2.3 Paid monthly salary by cheque to Hans, R17 000.

50

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QUESTION 4: CLUBS CONCEPTS, LEDGER ACCOUNTS ANDINTERNAL CONTROL (50 marks; 40 minutes)

4.1 The following information appeared in the books of Forever Fit Gym Club.

REQUIRED

Prepare the following accounts in the General Ledger of Forever Fit Gym Club for the year ended 31 December 2016.

4.1.1 Membership fees account (18)

4.1.2 Track suits (10)

4.1.3 There was a burglary on 29 December 2016. Some track suits were stolen. Give TWO internal control measures to prevent this in the future. (4)

INFORMATION

Balances on 1 January 2016

	R
Stock of track suits	3 900
Accrued income (membership fees)	3 240
Income received in advance (membership fees)	2 160

A. Extract from the Statement of Receipts and Payments for the year ended 31 December 2016:

Receipts for Membership fees

• 2015	R 1 800
• 2016	R72 000
• 2017	R 1 440

Receipts for the sale of track suits - R48 000

Payments for Membership fees refunded – R1 620

Payments for purchase of track suits - R25 600

B. Membership fees

- According to the constitution of the club each member must pay membership fees of R360 per year. Any member who resigns from the club by 30 June will be refunded 50% of the membership fees and thereafter will not be entitled to a refund. All members who resigned did so before 30 June 2016 and were given refunds.

- There were 240 members on 1 January 2016. 25 new members joined the club during 2016.

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- Any outstanding membership fees for 2015 must be written off and the members must be excluded from the club activities for 2016.

- The honorarium of the treasurer is R800 for the year. He requested that his membership for the year be offset to his amount owing to him.

- Some members are in arrears with the membership fees for 2016.

C. Track suits

- Track suits are sold at cost plus 25%.
- Selling price of a track suit is R400
- Track suits purchased on credit, R15 600
- 2 track suits were donated to the chairperson and his wife.
- Theft of track suits, R3 200
- Stock on hand at the end of the year amounted to R9 600.

4.2 ANALYSIS OF TRANSACTIONS

Analyse and classify the following transactions of the following Club. (18)

Example:
Paid salaries by cheque R300.

No	Receipts	Payments	Income	Expenses
1		300		300

Transactions

4.2.1 Received a cheque of R1 600 for membership fees for the year.

4.2.2 Paid the honorarium of the secretary by cheque, R1 800.

4.2.3 Paid the telephone account of R800. It included R200 of the previous year.

4.2.4 Received a credit invoice from CK Electric for R2 900. The invoice was for repairs.

4.2.5 Received R1 500 from a debtor.

50

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QUESTION 5: MOVEMENT OF ASSETS AND INTERNAL CONTROL
(45 marks; 25 minutes)

You are provided with information relating to Villa Paradiso Guesthouse on 28 February 2017, the end of their accounting period.

REQUIRED

5.1 Prepare the Asset Disposal Account in the General Ledger. Close off the account on 28 February 2017. (11)

5.2 Prepare the Fixed/Tangible Assets Note. Show calculations. (20)

5.3 The Land and Buildings were revalued on 1 March 2016 and the market value was R700 000, the financial records are reflecting R400 000. Which GAAP Principle is applicable? (2)

Balances on 1 March 2016

	Cost	Accumulated depreciation	Carrying value
Land and buildings	400 000	(0)	400 000
Vehicles	300 000	(76 000)	224 000
Equipment	80 000	(20 000)	60 000

INFORMATION

Land and buildings

- Extension to the building was done at the cost of R120 000 during the year.
- Repairs to the store room amounts to R25 000.

Vehicles

- Traded in an old vehicle on 1 September 2016 for R55 000 on a new vehicle costing R150 000 bought on credit from BZ Motors. The traded-in vehicle was bought on 1 March 2014 for R100 000.
- Depreciation on vehicles is calculated at 20% p.a. on the diminishing balance method (carrying value).

Equipment

- Villa guesthouse bought eight laptops at R6 000 each on 1 December 2016.

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5.4 PROBLEM SOLVING

TawweTienie sells one brand of motor bikes. The owner, Tienie Tungsten, has three branches operating in Brits, Centurion and Hatfield. The three branches are managed by Amos, Tom and Byron, respectively. The annual figures from the three branches for the financial period ending 28 February 2017 appears in the information below.

REQUIRED

5.4.1 Identify ONE problem in relation to each branch, quoting figures to support the problem. In each case, offer Tienie Tungsten advice on how to solve the problem. (12)

INFORMATION

	BRITS (AMOS)	CENTURION (TOM)	HATFIELD (BYRON)
Number of motor bikes available for sale	525	320	425
Number of motor bikes sold during the year	468	290	125
Physical count on 28 February 2017	47	30	300
Cost price per motor bike	R12 000	R12 000	R12 000
Selling price per motor bike	R18 000	R18 000	R18 000
Cash deposit in the bank during the year	R8 424 000	R4 820 000	R2 250 000
Advertising per year	R20 000	R40 000	R60 000
Salary of manager per month	R30 000	R30 000	R30 000

45

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QUESTION 6: ANALYSIS OF FINANCIAL STATEMENTS

(25 marks; 18 minutes)

The information below was extracted from the books of Tanya Traders.

REQUIRED

6.1 Refer to information A and B below. Calculate the following for the year ended 28 February 2017.

6.1.1 Mark up percentage (4)

6.1.2 Solvency ratio (4)

6.1.3 Debt equity ratio (4)

6.2 Refer to information A and B below. Calculate the following for the year ended 28 February 2017 and in each case provide a brief comment.

6.2.1 Current Ratio (6)

6.2.2 Average stock turnover rate
(The stock figure for 2016 was R105 000) (7)

INFORMATION

A Extract from the Income Statement on 28 February 2017:

Sales	900 000
Cost of sales	600 000
Operating profit	162 000
Interest income	11 000
Interest expense	(30 250)
Net profit	142 750

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B EXTRACT FROM THE BALANCE SHEET ON 28 FEBRUARY 2017:

ASSETS	
NON-CURRENT ASSETS	**704 500**
Tangible assets	584 500
Financial assets	120 000
CURRENT ASSETS	**220 000**
Inventory	140 000
Trade and other receivables	61 000
Cash and cash equivalents	19 000
TOTAL ASSETS	**924 500**
EQUITY AND LIABILITIES	
OWNER'S EQUITY	**564 500**
Capital	520 000
Current Accounts	44 500
NON-CURRENT LIABILITIES	**215 000**
Long term loan: Bank of China (13%)	215 000
CURRENT LIABILITIES	**145 000**
Trade and other payables	145 000
TOTAL EQUITY AND LIABILITIES	**924 500**

Financial indicators	**2017**	**2016**
Current ratio	?	1,3:1
Acid test ratio	?	0,66:1
Average stock turnover rate	?	5,2 times

25

TOTAL: 300

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