GAUTENG PROVINCE
EDUCATION
REPUBLIC OF SOUTH AFRICA

GAUTENG DEPARTMENT OF EDUCATION

PROVINCIAL EXAMINATION

JUNE 2019

GRADE 11

ACCOUNTING
PAPER 2

MARKING GUIDELINES

9 pages

MEMORANDUM	ACCOUNTING PAPER 2 GRADE 11

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)
	Yes, √ • It is used as an internal control measure to safeguard cash against fraud and theft. √√ • It is an internal control measure to pick-up and / or eliminate errors with regards to cash. Any other reasonable answer. Allocate one mark for any correct, but incomplete answer.		
	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)
	Bank will increase√ and creditors' control will increase. √ Matching principle. √		

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1.2.1 **General Ledger of Disney World**

Bank **B 10**

Date		Details	Amount	Date		Details	Amount
2019 Jun	30	Total receipts	26 665 √	2019 Jun	01	Balance	2 410 √
		Rent income √	700 √		30	Total payments	29 343 √
		Creditors' control √	475 √			Debtors control √	200 √
		Balance	4 993 √			Donations √	100 √
						Interest on overdraft √	34 √
						Bank charges √	46 √√
						Creditors' control √	500√√
						Drawings √	200 √
			32 833				32 833
		All dates correct		2019 Jul	01	Balance	4 993 √

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1.2.2 **Bank Reconciliation Statement of Disney World on 30 June 2019**

	Debit	Credit
Credit balance as per Bank Statement		99 957 √
Credit outstanding deposit		500 √
Debit outstanding cheques:		
601	500 √	
450	150 √	
Debit outstanding EFT	5 000 √	
Credit amount wrongly debited		200 √√
Debit amount wrongly credited	100 000 √√	
Credit balance as per Bank account		4 993 √
If both totals are the same ☑	105 650	105 650

(Max -2 for presentation / details)

Take note:

- -F if R400 is recorded anywhere.
- If an item is correct in either the account or Recon. and the candidate wrote it in both: mark the one that is correct right and –F for the other one.

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

Creditors' Ledger of Stationery Galore

Purple Pencils C 3

Date		Details	fol	Debit	Credit	Balance
2019 Apr	30	Balance				13 266 √
		Receipt 417 corrected		600 √ √		12 666
		Discount corrected – cheque 1048		33 √ √		12 633
		Cancel invoice 619			1 870 √√	14 503
		Correct invoice 342			520 √ √	15 023
		Cancel invoice 2301		4 400 √		10 623
		Invoice 351			10 001 √ √	20 624
		Correct posting error		405 √		20 219
		Discount – cheque 1067		405 √		19 814 √

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Creditors' Reconciliation Statement of Purple Pencils on 30 April 2019

	Amount
Balance as per Creditor's Statement	26 727 √
Discount corrected – receipt 1112	(121) √ √
Correct credit note 143	(27) √ √
Cancel invoice 347	(2 310) √ √
Cheque 1067	(4 050) √ √
Discount – cheque 1067	(405) √ √
Balance as per Creditor's Ledger account	19 814 √ √

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2.3.1	**Briefly explain what I. Steale has done. State TWO separate points.**	(2)
	• He ordered items using the business order form, making the creditors think it was the business that ordered the items. √ • When the items were delivered he signed for them and then he stole them. • He expects the business to pay for the items. √ Any reasonable answer.	
2.3.2	**Explain THREE internal control measures that need to be introduced by Stationery Galore to avoid a recurrence of this.**	(6)
	• All orders must be authorized by management / senior personnel. √√ • Separation of duties; different employees must order (with authorization), take delivery of the items when delivered, make payments for the items. √ √ • All deliveries must be checked against the order form, the delivery note and the invoice. √ √ Any other reasonable answer. Award one mark for incomplete answers.	
2.3.3	**Mention TWO actions Stationery Galore can take against I. Steale, other than a disciplinary hearing.**	(4)
	• I. Steale can be dismissed, as he was stealing. √ √ • Criminal case could be opened at the police station. √ √ • Could be given a final written warning. • If he stays, he has to pay for the stolen items. Any other reasonable answer. Award one mark for incomplete answers.	

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

3.1

Calculation of depreciation		
Vehicles		
OLD 150 000 – 6 300 = 87 000 X 20%	17 400√√	
NEW 180 000 X 20% X 5/12☑	15 000√	
SOLD 63 000 X 20% X 7/12	7 350√	
Total depreciation on vehicles for the year.	**39 750**	**5**
EQUIPMENT		
OLD 98 000 – 36 000 X 25%	15 500√√	
NEW 35 600 X 25% X 6/12	4 450√√	**4**

General Ledger of Fruit City

3.2.1 **Vehicles B 7**

Date		Details	Amount	Date		Details	Amount
2018 March	01	Balance	150 000 √	2018 Oct	01	Asset disposal	63 000 √
Oct	01	Creditors' Control	180 000 √		31	Balance	267 000 √
			330 000				330 000
2018 No	01	Balance	267 000 √				

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3.2.2 **Asset Disposal N 26**

Date		Details	Amount	Date		Details	Amount
2018 Oct	01	Vehicles √	63 000 √	2018 Oct	01	Accumulated depreciation on vehicles √	42 350 √
		Profit on sale of fixed assets √	1 600 √			Creditors' control √	22 250 ☑√
			64 600				64 600

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3.3

Fruit City

Notes to Financial Statements on 28 February 2019

Fixed Assets	**Land and Buildings**	**Vehicles**	**Equipment**
Carrying value on 01 March 2018	416 000	88 000 √	62 000√
Cost	416 000 √	150 000 √	98 000 √
Accumulated depreciation		(62 000) √	(36 000) √
Movements			
Additions at cost	34 000 √√	180 000 √	35 600 √√
Disposal at carrying value		(20 650) ☑√	
Depreciation for the year		(39 750) ☑√	(19 950) ☑√
Carrying value on 28 February 2019	450 000	207 600☑	77 650☑
Cost	450 000 √	267 000 √	133 600√
Accumulated depreciation		(59 400) √	(55 950) √

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3.4	**What is the main purpose of the Fixed Assets Register in a business?**	(2)
	It is an internal control measure to safeguard fixed assets from fraud and theft. √√ Any other reasonable answer. Award one mark for an incomplete answer.	

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

4.1	**The business has changed its pricing policy.** **Is the statement true or false? Provide ONE reason for your answer.**	(3)
	True √ The mark-up % has been increased from 20 % to 40 %. √√ Any other reasonable answer. Award one mark for incomplete answer.	
4.2	**With reference to your answer to Question 4.1, motivate whether this was a good decision.**	(3)
	No√ Prices were more expensive, the sales have decreased and this led to the net profit on turnover percentage to decrease from 18 % to 8 %. Stock holding period has increased from 28 days to 65 days. Stock is not selling because it is too expensive. √√ Any other reasonable answer. Award one mark for incomplete answer.	
4.3	**Does the business have good control over its expenses? Give ONE reason for your answer.**	(3)
	Yes, √ The operating expenses on turnover has increased only slightly from 26 % to 27 %. √√ Any other reasonable answer. Award one mark for incomplete answer.	

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)
	No, √ The debtors' collection period has increased from 30 days to 45 days. √√ Debtors take 15 days longer to pay than before. Any other reasonable answer. Award one mark for incomplete answer.	
4.5	**The business is considering its creditors later than the 30 days term agreed upon. Mention TWO factors that must be considered before this happens.**	(4)
	The terms for creditors is 30 days. This agreement needs to be discussed with creditors. Business cannot just pay later. √√ Business might lose discount for early payment if the business pays later. √√ Business might get charged interest if accounts are paid later. Any other reasonable answer. Award one mark for incomplete answers.	
4.6	**Comment on the stock holding period. Mention TWO points.**	(4)
	The stock holding period has increased from 28 days to 65 days. √√ The business now has much more stock in the business. This could be due to the increase in prices. √√ It is not good to keep too much stock. The stock could become damaged; could get stolen; could become obsolete. Any other reasonable answer. Award one mark for incomplete answers.	

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