GAUTENG PROVINCE
EDUCATION
REPUBLIC OF SOUTH AFRICA

GAUTENG DEPARTMENT OF EDUCATION

PROVINCIAL EXAMINATION

NOVEMBER 2016

GRADE 11

ACCOUNTING

MEMORANDUM

QUESTION	MARKS
1	50
2	45
3	35
4	40
5	80
6	50
TOTAL	**300**

14 pages

GAUTENG DEPARTMENT OF EDUCATION

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ACCOUNTING

MEMORANDUM

Question 1

1.1	
A	Bank overdraft
B	Stop order
C	Cash and cash equivalents
D	Current liability
E	Interest on overdraft

5

1.2.1	**Bank**		
Balance	✓✓40 300	**Total payments**	**21 480**
Total receipts	**29 120**	Repairs✓	✓600
Creditors' control✓	✓2 000	Debtors' control✓	✓1 500
Repairs✓	✓600	Drawings✓	✓1 800
Stationery✓	✓500	Bank charges✓	✓628
Capital✓	✓18 000	Interest on overdraft✓	✓520
Rent income✓	✓6 800	Insurance✓	✓4 000
		Balance	☑66 792
	97 320		97 320
Balance	66 792		

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1.2.2 Bank Reconciliation Statement on 31 August 2016		**Debit**	**Credit**
Cr Balance as per bank statement			☑42 892
Cr Outstanding deposit			✓23 500
Cr Outstanding deposit			✓17 400
Dr outstanding cheques:	722	✓1 000	
	754	✓3 000	
	757	✓5 200	
	761	✓6 000	
	763 [10 Sep 2016]	✓1 200	
	764	✓600	
Dr Balance as per bank account		☑66 792	
		83 792	83 792

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1.2.3	**Briefly explain the purpose of preparing a bank reconciliation statement**
	▪ It is an internal control process✓to ensure that all entries are correctly captured by the business and by the bank.✓ ▪ Prevents fraud and theft

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1.2.4	**Amount in respect of Creditors' Control**
	57 680 + 2 000✓+ 1 000✓ + 1 200✓ = 61 880☑

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1.2.5	**List TWO concerns regarding internal control of cash in this business.**
	Any 2 ✓✓ ✓✓ ▪ Poor internal control of cash as money is not being deposited daily. ▪ The deposit of R23 500 is still not accounted for. ▪ The accountant is making errors when recording transactions.

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QUESTION 2

2.1	**Briefly explain the purpose of the fixed assets register. State TWO points.**
	Any 2 ✓✓ ✓✓ ▪ It is a register of all the fixed assets in the business and it is used to verify physical stock of fixed assets on hand. ▪ It is an internal control process that assists in safeguarding the fixed assets of the business.

4

2.2

Calculations for the disposal of the printer				
Date	**Details**	**Cost**	**Accumulated Depreciation**	**Carrying Value**
28 / 2 / 2013	Depreciation	50 000	✓✓7 500	
28 / 2 / 2014	Depreciation		✓✓8 500	
31 / 8 / 2015	Depreciation		✓✓3 400	
		50 000	19 400	✓☑30 600

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2.3

Calculation of depreciation on equipment on 29 February 2016							
Cost [old]	900 000	-	50 000	=	850 000 ✓		
Accum. dep.	370 000	+	3 400	-	19 400	=	354 000 ✓
					496 000✓	x 20%	= 99 200☑
[New]					100 000✓	x 20% x 6/12	= 10 000✓
							109 200☑

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2.4

Accumulated depreciation on Equipment					
Feb 29	Asset Disposal✓	☑19 400	**Mar 1**	**Balance**	**370 000**
	Balance	463 200	Aug 31	Depreciation	☑3 400 See 2.2
			Feb 29	Depreciation✓	☑109 200 See 2.3
		482 600		1 mark for both entries	482 600
			Mar 1	Balance	☑463 200

Asset Disposal					
Aug 31	Equipment✓	✓50 000	Aug 31	Accum. dep on equipment✓	☑19 400
				Bank✓	☑30 600
		50 000			50 000

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2.5 Incomplete Fixed Assets Note

	Land and Buildings	Vehicles	Equipment
Cost	**2 400 000**	✓1 600 000	**900 000**
Accumulated depreciation		**(960 000)**	**(370 000)**
Carrying value	**2 400 000**	**640 000**	✓530 000
Movements			
Additions		✓500 000	**100 000**
Disposals	✓ [700 000]		☑[30 600] See 2.2
Depreciation (240 000 + 18 750)		✓✓(258 750)	☑[112 600]
Carrying value	**1 700 000**	☑ 881 250	☑486 800
Cost	**1 700 000**	✓2 100 000	**950 000**
Accumulated depreciation		✓☑1 218 750	☑[463 200] See 2.4

14

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QUESTION 3

3.1	**A**	Current	✓	
	B	Periodic	✓	
	C	Stock **taking**	✓	
	D	**Net** profit	✓	
	E	Increase	✓	**5**

3.2.1	**Calculation of cost of sales**		
	Opening stock		✓394 290
	Purchases [2 127 870✓ + 63 000✓ – 4 200✓]		☑2 186 670
	Carriage on purchases		✓87 786
			2 668 746
	Closing stock [313 254✓ – 18 400✓]		☑ [294 854]
			☑2 373 892

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3.2.2	**Calculation of gross profit**		
	Sales [**3 038 580** + 20 980✓]		✓3 059 560
	Cost of sales		☑2 373 892
	Gross profit		☑685 668

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3.2.3	**Calculate the stock turnover rate.**
	2 373 892 ☑ **see 3.2.1** [394 290 + 294 854] ☑ / 2✓ 344 572 = 6.9 times☑

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3.2.4	**Comment on the drop in the mark-up percentage in relation to the stock turnover rate. Provide TWO points.**
	Any 2 ✓✓ ✓✓ ▪ Discounts offered during clearance sales to increase sales ▪ Discounts to bulk buyers to increase sales ▪ Incorrect calculation of mark-up ▪ Less control over stock led to theft of stock ▪ Theft of stock

4

3.2.5	**List TWO ways in which the profits can be increased.**
	Any 2 ✓✓ ✓✓ ▪ Buy for cash at lower prices. ▪ Increase the mark-up on credit sales. ▪ Bulk buying at lower prices ▪ Pay creditors on time and earn discounts. ▪ Effective control of expenses / reduce expenses

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3.2.6	List TWO ways in which the turnover can be increased.
	Any 2 ✓✓ ✓✓ ▪ Advertising ▪ Sell at competitive prices. ▪ Introduce new products regularly.

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QUESTION 4

4.1	**What is the purpose of preparing a cash budget?**
	A cash budget is a financial plan outlining projected receipts and payments for a specified period.✓ This forecast assists in preventing cash flow problems and a bank overdraft. ✓

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4.2	**List TWO expenses other than depreciation that will not be included under payments in the cash budget.**
	Any 2 ✓✓ ✓✓ ▪ Discount allowed ▪ Loss on sale of asset ▪ Increase in provision for bad debts

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4.3 Debtors' Collection Schedule

Months	Credit Sales	January	February	March
Nov	**R72 000**	**17 280**		
Dec	**R79 200**	**47 520**	✓19 008	
Jan	**R64 800**	**9 234**	✓38 880	✓15 552
Feb	**R61 200**		✓8 721	✓36 720
Mar	**R68 400**			✓9 747
	Operation ☑ for both totals	**74 034**	66 609	62 019

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4.4 Cash Budget ending 31 March 2016	January	February	March
Cash Receipts			
Cash sales	**7 200**	**6 800**	✓7 600
Receipts from debtors	☑74 034	☑66 609	☑62 019
Fixed deposit		✓50 000	
Sale of equipment	✓10 400	✓7 500	**7 500**
Total Receipts	**91 634**	**130 909**	**77 119**
Cash Payments			
Cash purchases	**7 200**	**6 800**	✓7 600
Payments to creditors	**32 000**	**35 200**	✓28 800
Repayment of loan	**2 000**	**2 000**	✓2 000
Salaries and wages	✓17 920	✓19 712	✓19 712
Fixed cash expenses	**4 480**	**4 480**	✓4 480
Advertising	**1 440**	✓1 360	✓1 520
Sundry expenses	**7 000**	✓7 900	✓8 295
Purchase of equipment			✓21 000
Drawings	**20 000**	✓20 000	✓40 000
Total Payments	**92 040**	**97 452**	**133 407**
Cash surplus / deficit	**(406)**	☑33 457	☑ (56 288)
Bank (Opening balance)	**8 570**	☑8 164	☑ 41 621
Bank (Closing balance)	**8 164**	☑41 621	☑14 667

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QUESTION 5

5.1.1 Income Statement for the year ended 29 February 2016		
Sales [1 715 450✓ - 106 000✓ - 6 000✓]	✓1 603 450	
Cost of sales [1 093 000✓ - 4 000✓]	✓ [1 089 000]	
Gross Profit	☑**514 450**	
Other Operating Incomes	☑**141 250**	
Rent Income [125 000✓ - 10 000✓]	☑115 000	
Discount received	✓2 700	
Trading stock surplus	✓3 250	
Decrease in provision for bad debts	✓✓300	
Commission income	✓20 000	
Gross Operating Income	☑**655 700**	
Operating Expenses	☑ **[515 610]**	
Salaries [181 000✓ - 11 200✓ - 890✓ - 112✓]	☑168 798	
Wages	✓124 320	
Bad debts [4 060✓ + 10 780✓]	☑14 840	
Insurance [28 200✓ - 4 800✓]	☑23 400	
Accounting Fees [46 000 + 2 000]	✓ 48 000	
Consumable stores	✓✓23 120	
Discount allowed	✓6 902	
Sundry expenses	✓62 000	
Depreciation	✓44 230	
Operating Profit	☑**140 090**	
Interest income (2 100 ✓ + 6 340 ✓)	☑ 8 440	
Profit before interest expense	148 530	
Interest expense	✓✓✓ [14 550]	
Net Income for the year	☑**133 980**	**45**

5.1.2	**Trade and Other Receivables**		
	Debtors' control [**76680** – 6000✓ – 4620✓ – 10780✓]	✓55 280	
	Provision for bad debts	**[3 900]**	
	Net Trade Debtors	51 380	
	Accrued income	✓20 000	
	Prepaid expenses	✓ 4 800	
	Pension Fund	✓1 780	
	UIF	✓ 224	
		78 184	**8**

5.1.3	**Balance Sheet on 29 February 2016**		
	ASSETS		
	Non-Current Assets	☑954 370	
	Tangible Assets	**898 030**	
	Financial Assets	✓56 340	
	Current Assets	☑191 134	
	Inventories [51000 ✓ + 3250✓ + 280✓] + 4 000	☑58 530	
	Trade and other receivables	☑78 184	
	Cash and cash equivalents	✓61 420	
	Total Assets	☑1 152 504	**10**

5.2.1	**Calculate the Debt : Equity ratio for 2016 and supply a suitable explanation for your finding.**
	600 000 : 900 000 ✓ 0,67 : 1 ✓ Low level of risk ✓

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5.2.2	**Calculate the Acid Test Ratio for 2016.**
	125 000✓ : 150 000✓ 0,83 : 1☑

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5.2.3	**Calculate the period for which enough stock is on hand on 29 February 2016.**
	(137 500) (125 000✓+ 150 000✓)/2✓ x 365 650 000✓ 77,2 DAYS☑

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5.2.4	**Comment on the liquidity of the business. Use THREE relevant financial indicators to support your answer.**
	Any 2 Indicator✓✓ figure✓✓ Trend✓✓ ▪ The acid test ratio is 0,83 : 1 and the current ratio is 1,67 : 1. Therefore, the business will experience difficulty in settling its short term debts without having to sell stock ▪ The stock turnover has decreased from 5,6 in 2015 to 4,7 times in 2016. This indicates that the purchasing policy needs to be reviewed. ▪ The period for which enough stock is on hand has increased from 45 to 77 days. The business is stockpiling and this could lead stock becoming obsolete.

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QUESTION 6.1

General Ledger of Metal Manufacturers							
6.1.1	**Raw Materials Stock**						
Mar	1	Balance	✓129 440	Feb	29	Direct Materials Cost✓	✓978 880
Feb	29	Creditors' Control✓	✓981 440			Balance	✓132 000
			1 110 880				1 110 880
Mar	1	Balance	132 000				

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6.1.2	**Work-in-Process Stock**						
Mar	1	Balance	☑119 790	Feb	29	Finished Goods Stock✓	☑1 832 000
Feb	29	Direct Materials Cost✓	☑978 880			Balance	✓93 640
		Direct Labour Cost✓	✓248 360				
		Factory Overhead Cost✓	☑578 610				
			1 925 640				1 925 640
Mar	1	Balance	✓93 640				

11

6.1.3	**Finished Goods stock**						
Mar	1	Balance	✓36 000	Feb	29	Cost of Sales✓	✓1 800 000
Feb	29	Work-in-process stock✓	☑1 832 000			Balance	✓68 000
			1 868 000				1 868 000
Mar	1	Balance	✓68 000				

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6.1.4	Factory Overhead Cost						
Feb	29	Indirect labour (84 200 + 2 400)	✓86 600	Feb	29	Work-in-Process Stock	☑578 610
		Water and electricity 52 400 X 3 / 4	✓✓39 300				
		Rent expense 180 800 X 140 / 200	✓✓126 560				
		Salaries	✓228 000				
		Indirect materials [3 740✓+51 260✓-9460✓]	✓45 540				
		Sundry expenses	✓52 610				
			578 610				578 610

12

QUESTION 6.2

6.2.1	Calculate the total direct labour cost.
	2 000✓ X 13,60✓ = 27 200✓

3

6.2.2	Calculate the factory overhead cost per unit.
	16 000✓ / 2 000✓ = R8✓

3

6.2.3	Calculate the break-even point.
	Total Fixed Cost / Contributions per unit [SP / unit - VC / unit] 26 000✓ / 24,20✓✓ [51,20 - 27,00] = 1 074.38 units✓

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6.2.4	Mention TWO points that management should consider before changing suppliers.
	Any 2 ✓✓ ✓✓ • Check the quality of the raw materials. • Confirm the availability of supply. • Check the credentials of the new supplier.

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