GAUTENG PROVINCE
EDUCATION
REPUBLIC OF SOUTH AFRICA

GAUTENG DEPARTMENT OF EDUCATION

PROVINCIAL EXAMINATION

NOVEMBER 2019

GRADE 11

ACCOUNTING
PAPER 2

MARKING GUIDELINES

MARKS: 150

MARKING PRINCIPLES:

1. Unless otherwise stated in the marking guidelines, penalties for foreign items are applied only if the candidate is not losing marks elsewhere in the question for that item (no penalty for misplaced item). No double penalty applied.
2. Penalties for placement or poor presentation (e.g. details) are applied only if the candidate is earning marks on the figures for that item.
3. Full marks for correct answer. If answer incorrect, mark the workings provided.
4. If a pre-adjustment figure is shown as a final figure, allocate the part-mark for the working for that figure (not the method mark for the answer). Note: if figures are stipulated in memo for components of workings, these do not carry the method mark for the final answer as well.
5. Unless otherwise indicated, the positive or negative effect of any figure must be considered to award the mark. If no + of – sign or brackets is provided, assume that the figure is positive.
6. Where indicated, part-marks may be awarded to differentiate between differing qualities of answers from candidates.
7. This memorandum is not for public distribution, as certain items might imply incorrect treatment. The adjustments made are due to nuances in certain questions.
8. Where penalties are applied, the marks for that section of the question cannot be a final negative,
9. Where method marks are awarded for operation, the marker must inspect the reasonableness of the answer and at least one part must be correct before awarding the mark.
10. Operation means 'check operation'. 'One part correct' means operation and one part correct. Note: check operation must be +, -, x, ÷, or per memo.
11. In calculations, do not award marks for workings if numerator & denominator are swapped – this also applies to ratios.
12. In awarding method marks, ensure that candidates do not get full marks for any item that is incorrect at least in part. Indicate with a ☒.
13. Be aware of candidates who provide valid alternatives beyond the marking guideline.
14. Codes: f = foreign item; p = placement / presentation.

The marking guidelines consist of 9 pages

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QUESTION 1: CONCEPTS AND MANUFACTURING ACCOUNTS

1.1

CONCEPTS

1.1.1	Direct labour cost	✓
1.1.2	Direct Material cost	✓
1.1.3	Selling and Distribution cost	✓
1.1.4	Administration cost	✓
1.1.5	Factory overhead cost	✓

5

1.2. LEDGER ACCOUNT AND COSTS CALCULATIONS

1.2.1 GENERAL LEDGER OF WISHY-WASHY MANUFACTURERS

DR		**RAW MATERIALS STOCK**						**B1**	**CR**
2018 March	**1**	**Balance**	**b/d**	✓95 000	2019 Feb	28	Work in ✓ process stock	GJ	✓535 000
2019 Feb	28	Creditors control✓	CJ	✓521 000			Balance	c/d	110 500
		Bank✓ (Carriage)	CPJ	✓29 500					
				645 500					**645 500**
2019 March	1	Balance	b/d	☑110 500					

8

1.2.2 COST CALCULATIONS

Direct labour cost	
Factory wages (272 800 + 28 000)	✓ 300 800

Factory overheads costs		
Indirect materials (20 500✓ + 77 500✓ – 18 000✓)	One part correct	☑ 80 000
Salary: Factory foreman		✓105 000
Maintenance : Factory equipment (37 000 + 11 000)		✓✓ 48 000
Water and electricity (21 000 x 0,8)	One part correct	☑✓ 16 800
Rent paid (108 000 x 0,8)	One part correct	☑✓ 86 400
Depreciation: Factory		✓ 60 500
		396 700

13

1.3 UNIT CALCULATIONS

1.3.1	Calculate the direct material cost per unit
	Direct material cost per unit 768 960 ÷ 4 320 R178✓☑ One part correct

2

1.3.2	Calculate the break-even point
	518 400✓ R400✓– R245✓ **OR** R155 for two marks 3 344,5 or 3 345 tables ☑ One part correct

4

1.3.3	Should the business be satisfied with the number of units manufactured during 2019? Explain quoting relevant information.
	Yes✓ Number of tables manufactured is 4 320 above the break-even point of 3345✓✓ The business is making profit✓

4

1.3.4	The direct materials cost per unit was R152 in 2018. Explain TWO reasons for the difference in the cost over the two financial years.
	Any TWO valid reasons✓✓ ✓✓ (one mark for partially correct answer) • Increase in price of raw materials from suppliers • Waste of material by workers who are not properly trained or supervised. • Poor controls over raw material stock, those expose the stock to risk of theft. • Increase in transport costs.

4

TOTAL MARKS
40

QUESTION 2 : RECONCILIATIONS, INTERNAL CONTROL AND ETHICS

2.1. BANK RECONCILIATION

2.1.1 Provide TWO reasons why preparing a monthly Bank Reconciliation Statement is important for the business.

Any TWO valid reasons✓✓ ✓✓

- To minimize / prevent / detect fraud
- Internal control purpose
- Determine errors and omissions
- Determine outstanding cheques/deposits
- Check if the bank balance of the business agrees with the bank statement.

4

2.1.2 Explain why the bookkeeper cancelled cheque no. 706 and in which journal did he cancel the entry?

- Cheque is stale / more than 6 months old✓✓
- CRJ✓

3

2.1.3 BANK RECONCILIATION STATEMENT ON 31 AUGUST 2019

	Debit	Credit
Cr balance as per bank statement		✓6 380
Cr outstanding deposit		✓13 800
Dr outstanding cheques		
No. 950	✓1 800	
No. 980	✓8 400	
No. 992	✓4 420	
Dr amount wrongly credited by the bank	✓✓1 500	
Cr balance as per bank account	☑✓5 560	
One method mark for both total	☑ 20 180	20 180

10

2.2 CREDITORS' RECONCILIATION

	CREDITOR'S LEDGER	CREDITOR'S STATEMENT
Balance	**16 555**	**22 655**
A	-3 500 ✓	
B		-2 700✓✓
C		-640✓✓
D	-1 040✓ ✓ - 520 - 520 1mark each	
E		-3 000✓
F	-2 000 ✓	
G	+ 6 300✓	
Corrected Balance	☑ **16 315** **1 mark for both**	**16 315**

11

2.3 INTERNAL CONTROL AND ETHICS

2.3.1 Which THREE actions should be taken regarding the two missing cheques?

Any THREE valid points (2x3)

The Bank Statement/s must be inspected to check the following:

- If these cheques were presented for payment at the bank. ✓✓
- If they were presented for payment, identify the payees and the amounts on the cheque.✓✓
- If the cheques were not presented for payment, stop payment on the cheques immediately.✓✓

OR

- The bookkeeper should be brought in for questioning / Disciplinary hearing.
- Take legal action against the bookkeeper or employees responsible
- Instruct the bookkeeper / responsible employees to repay the amounts stolen or deduct from their salaries.
- Dismissal for employees / bookkeeper responsible for fraud

One mark for partially correct answer

6

2.3.2	What are the implications of recording "Drawings" as "Donations"? Explain in ONE point.

Any ONE valid point ✓✓

- Donations will be treated as an operating expense of the business and will be reflected in the Profit and Loss account.

OR

- Donations will decrease the net profit of the business.
- The owner will then be liable for lower personal income payable to SARS based on lower net profit.

One mark for partially correct answer

2

2.3.3 Provide THREE suggestions to management for the effective control of cash.

Any THREE valid points ✓✓ ✓✓ ✓✓

- The bank reconciliation must be done monthly.
- The internal auditor must verify entries in the Cash Journals against source and supporting documents.

OR

- Regular checks of Cash Payments Journal against the cheque book
- There must be division of duties.
- Management / owner should authorise the payments made by cheque
- Introduce EFT payments and request SMS notification from the bank

One mark for partially correct answer

6

TOTAL MARKS
42

QUESTION 3: BUDGETS, ETHICS AND FINANCIAL INDICATORS

3.1.1 DEBTORS COLLECTION SCHEDULE			
Credit Sales		**November**	**December**
September	**144 000**	**14 400**	
October	**149 760**	✓✓89 856	✓✓14 976
November	**161 280**	✓✓40 320	**96 786**
December	**187 200**		**46 800**
		*☑ 144 576	158 562

*☑ One mark for both totals

7

3.1.2 CASH BUDGET FOR TWO MONTHS ENDING DECEMBER 2018

RECEIPTS	**November**	**December**
Cash sales	**241 920**	✓280 800
Collection from debtors Check 3.1.1	☑144 576	☑158 562
Interest on fixed deposit		✓✓1 300
Rent income	**5000**	✓5 000
TOTAL RECEIPTS	*☑ 391 496	445 662
PAYMENTS		
Cash purchases of trading stock	✓✓67 200	**78 000**
Payments to creditors	**138 320**	✓✓✓148 960
Loan repayment		✓24 000
Interest on loan	**3 000**	✓✓2 800
Salary including bonus (store manager)	**20 000**	✓✓48 000
Sales assistants salaries	**60 000**	✓✓62 400
Drawings	**30 000**	✓50 000
Equipment		✓20 000
Other operating expenses	✓✓138 000	**145 866**
TOTAL PAYMENTS	*☑ 456 520	580 026
Cash surplus (shortfall) **Operation**	☑ (65 024)	☑ (134 364)
Balance at the beginning of the month	**138 400**	☑73 376
Balance at the end of the month **Operation**	☑73 376	☑ (60 988)

29

*☑ One mark for both totals

3.1.3 Refer to transaction J, and explain why the employees should not be satisfied with the increase of 4% in their salaries.
• The increase given to employees is below the inflation rate, compared to the 20% increase given to management. ✓✓ (Accept any inflation rate between 4,1% and 6%) / Current rate of 4,96% Above 4%

2

3.2 FINANCIAL INDICATORS

3.2.1 Calculate the following indicators for year ended 20 February 2019

Average creditors payment period	**(4)**
½ (43 000 + 47 000) ✓✓ x 365 235 000 ✓ 1 = 69,9 days or 70 days ☑	

Stock Holding period	**(4)**
½ (30 000 + 40 000) ✓✓ x 365 235 000 ✓ 1 = 54,3 days or 54 days ☑	

3.2.2	**Compare the financial indicators for 2018 and 2019 February and respond to the following questions.**	
	Comment on the stock turnover rate and the stock holding period. (Quote figures)	**(2)**
	• Stock turnover rate dropped from 8 times to 6,7 times / by 1,3 times in 2019. ✓ • Stock Holding period increased from 45,6 days to 54 days in 2019✓ (see 3.2.1)	
	Explain why Nkosi Traders should be concerned about the two indicators and provide ONE point of advice to Nkosi Traders.	**(4)**
	Explanation ✓✓ • The business could be keeping too much stock on hand / slow moving stock • Cash that could be used to generate income is tied up in stock **Advice** ✓✓ Reduce the quantity of stock purchased Improve the promotion or advertising strategies	

TOTAL MARKS
52

QUESTION 4: VAT AND TANGIBLE ASSETS

4.1 VAT

4.1.1 and 4.1.2				
Including VAT (R)	**Excluding VAT (R)**	**VAT Amount (R)**	**VAT Input**	**VAT Output**
✓ 575 000	**500 000**	**75 000**		**75 000**
287 500	**250 000**	✓ **37 500**	☑**37 500**	
		1 830	✓1 830	
	6 400	**960**		✓**960**
	9 800	✓**1 470**	✓**1 470**	
5 405		✓✓705	✓705	
TOTALS			**41 505**	**75 960**

10

4.1.3 Calculate the amount payable to/ receivable from SARS.

6 700 + 75 960 -41 505 = 41 155✓☑ One part correct

2

4.2 Explain the TWO measures that you will put in place to prevent employees from using business assets for personal gain?

Any TWO valid points ✓✓ ✓✓

- Random checks on business assets against fixed assets registers.
- Signing for laptops when taken for use

One mark for partially correct answer

4

TOTAL MARKS

16

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