GAUTENG PROVINCE
EDUCATION
REPUBLIC OF SOUTH AFRICA

GAUTENG DEPARTMENT OF EDUCATION

PROVINCIAL EXAMINATION

NOVEMBER 2019

GRADE 11

ACCOUNTING
PAPER 2

TIME: 2 hours

MARKS: 150

12 pages, 1 formula sheet and an answer book of 9 pages

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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. A FORMULA SHEET for financial indicators is provided at the back of this paper. You may use it if necessary.
4. Show ALL workings to achieve part-marks.
5. You may use a non-programmable calculator.
6. You may use a dark pencil or black / blue ink 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 below as a guide when answering the question paper. Try NOT to deviate from it.

QUESTION 1: 40 marks; 32 minutes	
Topic of the question:	**This question integrates:**
Manufacturing	Concepts
	Ledger accounts
	Calculations of costs
	Break-even point
	Internal control

QUESTION 2: 42 marks; 34 minutes	
Topic of the question:	**This question integrates:**
Reconciliations	Bank Reconciliation
	Creditors Reconciliation
	Internal control and Ethics

QUESTION 3: 52 marks; 42 minutes	
Topic of the question:	**This question integrates:**
Budgeting and Financial indicators	Debtors collection schedule
	Cash budget
	Ethics
	Financial indicators

QUESTION 4: 16 marks; 12 minutes	
Topic of the question	**This question integrates:**
VAT and Tangible Assets	VAT
	Tangible Assets
	Internal Control

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QUESTION 1: CONCEPTS AND MANUFACTURING ACCOUNTS (40 marks; 32 minutes)

1.1 CONCEPTS

Match the descriptions provided by choosing the correct answer from the list provided below. Write only the answer next to the question number (1.1.1–1.1.5) in the ANSWER BOOK.

factory overhead cost; administration cost; selling and distribution cost; direct material cost; direct labour cost

1.1.1 Salaries paid to workers involved in production (1)

1.1.2 Cost of raw materials used in the production process (1)

1.1.3 Advertising expense (1)

1.1.4 Rent paid for office buildings (1)

1.1.5 Salary paid to the factory foreman (1)

1.2 LEDGER ACCOUNT AND COSTS CALCULATIONS

WISHY-WASHY MANUFACTURERS

The business produces washing machines and sells at a mark-up of 70% on cost. They use the perpetual inventory system for finished goods and the periodic inventory system for raw materials and indirect materials.

REQUIRED:

1.2.1 Prepare the Raw Materials stock account. (8)

1.2.2 Provide workings for Direct Labour and Factory Overheads Costs. (13)

INFORMATION:

A. The following balances appeared, amongst others, in the books of Wishy-Washy Manufacturers.

	1 March 2018	28 February 2019
Raw material stock	95 000	110 500
Work in process stock	71 500	191 600
Finished Goods stock	480 000	96 200
Factory indirect material stock	20 500	18 000

B. Transactions during the year

1. Raw materials purchased on credit, R521 000

2. Cost of transporting raw materials to the factory amounted to R29 500, paid in cash

3. Indirect materials bought for cash, R77 500

4. Wages paid to workers amounted to R300 800. The amount includes the employer's contribution in respect of pension fund of R28 000.

5. Salary paid to factory foreman, R105 000

6. Commission paid to sales staff, R90 000

7. Maintenance of factory equipment paid, R37 000. A further R11 000 is still owed.

8. Water and electricity paid, R21 000. The amount is split between the factory and the office. The ratio of factory to office is 4 : 1.

9. Rent paid amounts to R108 000. The factory is responsible to pay 80% of the rent.

10. Depreciation on factory equipment amounts to R60 500.

1.3 UNIT COST CALCULATIONS

CROSSROAD TABLE MANUFACTURERS

You are provided with the information relating to Crossroad Table Manufacturers for the year ending 28 February 2019. The factory manufactures wooden catering tables.

REQUIRED:

1.3.1 Calculate the direct material cost per unit. (2)

1.3.2 Calculate the break-even point for the year ended 28 February 2019. (4)

1.3.3 Should the business be satisfied with the number of units manufactured during 2019? Explain by quoting relevant information and calculations. (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. (4)

A. INFORMATION FOR THE YEAR ENDING 28 FEBRUARY 2019

	Total Cost	Per Unit
Direct material cost	768 960	?
Direct labour cost	224 640	R52
Total variable cost	1 058 400	R245
Total fixed cost	518 400	R120
Sales	1 728 000	R400

B. ADDITIONAL INFORMATION

- The business produced and sold 4 320 tables during the year.
- There was no work-in-progress at the beginning or end of the financial year.

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QUESTION 2: RECONCILIATIONS, INTERNAL CONTROL AND ETHICS

(42 marks; 34 minutes)

2.1 BANK RECONCILIATION

GAUTENG TRADERS

You are provided with information from the records of Gauteng Traders for August 2019.

REQUIRED:

2.1.1 Provide TWO reasons why preparing a monthly Bank Reconciliation Statement is important for the business. (4)

2.1.2 Explain why the bookkeeper cancelled cheque no. 706 and in which journal he cancelled the entry. (3)

2.1.3 Prepare the Bank Reconciliation Statement on 31 August 2019. (10)

INFORMATION:

A The following cheques were listed as outstanding on the Bank Reconciliation Statement on 31 July 2019:

- No. 706 (dated 16 February 2019) R 500
- No. 949 (dated 28 July 2019) R3 200
- No. 950 (dated 30 September 2019) R1 800

The bookkeeper had already cancelled cheque no. 706 when he updated the Cash Journals.

Cheque no. 949 appears on the bank statement on 12 August 2019.

B A deposit of R13 800 made on 31 August does not appear on the bank statement.

C The following cheques issued during August 2019 do not appear on the August bank statement:

- No. 980 R8 400
- No. 992 R4 420

D The August bank statement from Future Bank reflected an amount of R1 500 wrongly credited against the account of Gauteng Traders.

E The bank's statement reflected a favourable balance of R6 380 on 31 August 2019.

2.2 CREDITORS' RECONCILIATION

SELAHLE TRADERS

Selahle Traders received a statement of account for June 2019 from a creditor, Manyaka Suppliers. The creditor's statement reflected a balance that is different from the Creditors Ledger.

REQUIRED:

Reconcile the differences in the Creditors' Ledger Account balance with the statement balance in the answer book provided.

Write the amounts in the appropriate columns and indicate the increase or decrease with a (+) or (-) with each amount.

Total the columns to show the correct balances at the end of June 2019. (11)

INFORMATION:

The following balances for June are provided :

Creditors' Ledger of Manyaka Suppliers in the books of SelahleTraders	R16 555
Statement received from Manyaka Suppliers	R10 055

A comparison between the Creditors' Ledger Account of Manyaka Suppliers and the statement of account showed the following differences:

A. A payment of R3 500 to Manyaka Suppliers on 7 June was erroneously omitted by the bookkeeper from the Creditors' Ledger in the records of Selahle Traders.

B. An invoice for R6 950 received from Manyaka Suppliers was correctly recorded in the Creditors' Ledger Account. The amount was incorrectly recorded as R9 650 on the statement.

C. The statement received from Manyaka Suppliers did not reflect the discount of 8% that was allowed to Selahle Traders if the amount of R8 000 was settled before 20 June. The amount was settled within the required period.

D. Goods returned to Manyaka Suppliers were incorrectly recorded as purchases in the Creditors' Ledger, the amount was R520.

E. An EFT (Electronic Funds Transfer) payment of R3 000 was recorded in the Cash Payments Journal of Selahle Traders on 28 June 2019. The statement from Manyaka was dated 27 June 2019.

F. The goods bought from Manyuka Suppliers for R2 000, were incorrectly recorded in the Creditors' Ledger of Manyaka Suppliers.

G. Invoice no.678 for goods bought on 27 June was not reflected in the statement received from Manyaka Suppliers. The amount was R6 300.

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2.3 INTERNAL CONTROL

Read the following extract and answer the questions that follow.

The accountant of Thaba Fashion Designs took vacation leave in July 2019. The owner of the business temporarily employed Lethabo Mooi who was recruited by the employment agency as a substitute for the month of July.

Lethabo Mooi made the following observations:

A. The Bank Reconciliations for May and June were not done.

B. Two cheques were not recorded in the Cash Payments Journal for May. Both cheques were missing from the cheque book and the counterfoils neatly removed.

C. Cheque no. 1555 was issued to the owner for his personal use. This cheque was recorded as a "Donation".

The above was referred to the manager. However, he had no knowledge of accounting procedures and internal control.

REQUIRED:

2.3.1 Which THREE actions should be taken regarding the two missing cheques? (6)

2.3.2 What are the implications of recording “Drawings” as “Donations”? (2)

2.3.3 Provide THREE suggestions to management for the effective control of cash. (6)

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QUESTION 3: BUDGETS, ETHICS AND FINANCIAL INDICATORS

(52 marks; 42 minutes)

3.1 CASH BUDGET

You are provided with information relating to Greyston Stores. The business is owned by Jerry Williams. The business uses a mark-up of 80% on cost. The budget period ends on 31 December 2018.

REQUIRED:

3.1.1 Prepare the debtors' collection schedule for November and December 2018. (7)

3.1.2 Complete the cash budget for two months ending 31 December 2018. (29)

3.1.3 Refer to transaction J, and explain why the employees should not be satisfied with the increase of 4% in their salaries. (2)

INFORMATION:

A. Balances on 31 October 2018	
Bank (favourable)	R138 400
Loan: Terrie Bank (10% p.a.)	R360 000
Fixed deposit at 6,5% p.a.	R80 000

B. Total Sales	
Actual	
September	R360 000
October	R374 400
Budgeted	
November	R403 200
December	R468 000

C. Credit sales comprise 40% of total sales.

D. The average collection from debtors over the past six months is provided below and this trend is expected to continue over the budget period.

- 25% pay in the month of sale.
- 60% pay one month after the month of sale.
- 10% pay two months after the month of sale.
- The balance is written-off in the third month after the month of sale.

E. The business replaces stock on a monthly basis to maintain a fixed stock level of R200 000.

F. The business buys 70% of its trading stock on credit. Creditors are paid in the month following the month of purchase to obtain a 5% cash discount.

G. A loan repayment of R24 000 is scheduled for 1 December 2018. The interest on loan is paid monthly.

H. Interest on the fixed deposit is received quarterly. The interest for the last quarter of 2018 is due on 31 December 2018.

I. Salaries:

- The store manager earns R20 000 per month. However, from 1 December 2018 his salary will increase by 20%. He will also receive a bonus in December equivalent to his December salary.

- The business employs ten sales assistants, each earning R6 000 per month. They will receive a salary increase of 4% effective from 1 December. They do not get bonuses.

J. The owner's monthly drawings are as follows:

- Goods: R 5 000
- Cash: R30 000

The owner intends increasing his cash drawings to R50 000 in December as he is taking his family on a holiday.

K. Equipment costing R20 000 will be purchased for cash at the beginning of December.

L. Operating expenses are expected to increase monthly in line with the current inflation rate of 5,7%.

M. Part of the buildings are rented out at a monthly rental of R5 000.

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3.2 **FINANCIAL INDICATORS**

NKOSI TRADERS

The following information was extracted from the books of Nkosi Traders for the year ended 28 February 2019.

REQUIRED:

3.2.1 Calculate the following indicators for year ended 20 February 2019.

- Average creditors' payment period (4)
- Stock-Holding period (3)

3.2.2 Compare the financial indicators for February 2018 and 2019 and respond to the following questions.

- Comment on the stock turnover rate and the stock-holding period. (Quote figures.) (2)
- Explain why Nkosi Traders should be concerned about the two indicators and provide ONE point of advice to Nkosi Traders. (4)

INFORMATION:

A. BALANCES AND TOTALS ON 28 FEBRUARY		
	2019	**2018**
Sales	585 000	340 000
Cost of sales	235 000	210 000
Gross profit	350 000	130 000
Debtors' control	35 000	32 000
Creditors' control	47 000	43 000
Trading stock	40 000	30 000

B. FINANCIAL INDICATORS ON 28 FEBRUARY		
	2019	**2018**
Stock turnover rate	6,7 times	8 times a year
Stock holding period	?	45,62 days
Average debtors collection period	20,9 days	48 days
Average creditors payment period	?	60 days

C. All the goods are purchased on credit by Nkosi Traders.

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QUESTION 4: VAT AND TANGIBLE ASSETS (16 marks; 12 minutes)

4.1 VAT

You are provided with the information relating to Little Supply Stores. The owner is a registered VAT Vendor and VAT on taxable items is charged at 15%. The totals / figures for July 2019 are provided below.

REQUIRED:

4.1.1 Calculate the missing amounts indicated by a, b, c and d. (5)

4.1.2 Complete the VAT input and output columns using the VAT amounts calculated and provided from the information. (5)

4.1.3 Calculate the amount payable to / receivable from SARS. (2)

INFORMATION:

A. INFORMATION FROM THE JOURNALS FOR JULY 2019			
	Including VAT (R)	**Excluding VAT (R)**	**VAT Amount (R)**
Cash and credit sales invoices	(a)	500 000	75 000
Purchase of trading stock	287 500	250 000	**(b)**
Debtors' accounts written-off			1 830
Stock returned to suppliers		6 400	960
Office computer bought on credit		9 800	**(c)**
Discount allowed to debtors	5 405		**(d)**

B Balance due to SARS on 1 July 2019 amounted to R6 700.

4.2 TANGIBLE ASSETS

Internal Control

Lebo Mokoena has been recently appointed as an assistant accountant. His job is to exercise control over tangible assets. When he verified the assets, he noticed that the printer and the laptop of the business were missing. His investigation pointed him to the Accountant who took the assets home to give to his child to complete a Grade 11 Accounting Project.

REQUIRED

Explain the TWO measures that you will put in place to prevent employees from using business assets for personal gain. (4)

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TOTAL: 150

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FORMULA SHEET

$\frac{\text{Gross Profit}}{\text{Sales}} \times \frac{100}{1}$	$\frac{\text{Gross Profit}}{\text{Cost of Sales}} \times \frac{100}{1}$	$\frac{\text{Net Profit}}{\text{Sales}} \times \frac{100}{1}$
$\frac{\text{Operating expenses}}{\text{Sales}} \times \frac{100}{1}$	$\frac{\text{Operating Profit}}{\text{Sales}} \times \frac{100}{1}$	
$\frac{\text{Total earnings by partner}}{\text{Partners'average equity}} \times \frac{100}{1}$	$\frac{\text{Net profit}}{\text{Average owner's equity}} \times \frac{100}{1}$	
Current assets: Current liabilities	(Current assets – inventories): Current liabilities	
$\frac{\text{Average debtors}}{\text{Credit sales}} \times \frac{365 \text{ or } 12}{1}$	$\frac{\text{Average creditors}}{\text{Credit purchases}} \times \frac{365 \text{ or } 12}{1}$	
$\frac{\text{Average inventories}}{\text{Cost of sales}} \times \frac{365 \text{ or } 12}{1}$	$\frac{\text{Cost of sales}}{\text{Average inventories}}$	
Non-current liabilities: Owner's equity	Total assets : Total liabilities	

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