GAUTENG PROVINCE
EDUCATION
REPUBLIC OF SOUTH AFRICA

GAUTENG DEPARTMENT OF EDUCATION

PROVINCIAL EXAMINATION

JUNE 2017

GRADE 11

ACCOUNTING

MEMORANDUM

13 pages

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PROVINCIAL EXAMINATION

ACCOUNTING

MEMORANDUM

MARKING PRINCIPLES

1. Penalties for foreign items are applied only if the candidate is not losing marks elsewhere in the question for that item (No foreign item penalty for misplaced item).

2. Full marks for correct answer. If answer is incorrect, mark the workings provided.

3. 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).

4. Unless otherwise indicated, the positive or negative effect of any figure must be considered to award the mark. If no + or – sign or bracket is provided, assume that the figure is positive.

5. Where indicated, part-marks may be awarded to differentiate between differing qualities of answers from candidates.

6. Where method marks are awarded for operation, the marker must inspect the reasonableness of the answer before awarding the mark.

7. In awarding method marks, ensure that candidates do not get full marks for any item that is partially incorrect

8. Code f = foreign item

QUESTION 1

1.1.1	Bank overdraft ✓	
1.1.2	Dishonoured cheque ✓	
1.1.3	Debit order ✓	
1.1.4	Post-dated cheques register ✓	
1.1.5	Stop payment✓	**5**

1.2 **Calculate the correct totals for the Cash Receipts Journal and Cash Payments Journal for September 2017. Show details of sundry accounts.**

Cash Receipts Journal	
Details of Sundry Accounts	**Amount**
Total	**49 926**
Trading stock✓	✓150
Stationery✓	✓500
Interest on current a/c✓	✓400
Debtors' control (I. May)✓	✓✓4100
	☑55 076

Cash Payments Journal	
Details of Sundry Accounts	**Amount**
Total	**49 800**
Trading Stock ✓	✓300
Advertising✓ (640-460)	✓180
Insurance✓	✓1 520
Bank charges✓	✓786
	☑52 586

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1.3

General Ledger of Mercby Dealers

Bank **B1**

Sep	30	Total Receipts✓	CRJ	☑55 076	Sep	1	Balance	b/d	✓✓1 830
						30	Total Payments✓	CPJ	☑52 586
							Balance	c/d	660
				55 076					**55 076**
Oct	1	Balance	b/d	☑ 660					

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1.4 **Bank Reconciliation Statement on 30 September 2017**

	Debit	Credit
DR Balance as per Bank Statement		☑ 680
CR Outstanding deposit		✓ 2 500
DR Outstanding cheques		
• 112	✓ 800	
• 113	✓ 400	
• 117	✓1320	
DR balance as per bank account	☑ 660	
Operation if one part correct ☑ same total	3 180	3 180

Foreign entries -1 maximum -2

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1.5.1 **Explain to Tommy why it's important that he prepares the Bank Reconciliation Statement at the end of each month. Provide THREE reasons.**

Good explanation = 2, Satisfactory = 1, incorrect = 0 ✓✓

- Improves internal control by minimizing fraud or error because records are checked against an external source.
- Improves internal control by identifying outstanding cheques and deposits.
- To compare the books of the business with that of the bank in order to detect errors and dishonesty at an early stage.

Expected responses for 1 mark

1. Internal control purposes
2. To reconcile the bank account

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1.6 **Give THREE advantages of internet banking.**

Any valid point ✓✓✓

- Do not have to stand in queues to pay accounts
- Don't have to walk around with cash
- Maintain your own internet banking limits
- Payments can be made immediately
- Send proof of payment to a beneficiary

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1.7

Explain the term *white collar crime* and list ONE example.
Any valid point ✓✓ • A crime committed by management / CEO while being employed in the business Example ✓: Fraud, Bribery, Tax evasion.

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QUESTION 2

2.1	**Choose a description from COLUMN B that matches a concept in COLUMN A.**
2.1.1	E ✓
2.1.2	A ✓
2.1.3	D ✓
2.1.4	B ✓
2.1.5	C ✓

5

2.2 **CREDITORS' LEDGER OF BEKI TRADERS ON 30 SEPTEMBER 2017**

Balance as per ledger account	**57 312**
Error corrected on invoice 223	✓✓- 512
Adjustment of discount on	✓✓1 000
Correction of error on Invoice 105	✓✓ (6 929)
Interest	✓69
One part correct	☑50 940

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2.3 **CREDITOR'S RECONCILIATION STATEMENT ON 30 SEPTEMBER 2017**

Balance as per Creditors' Statement	**51 163**
Credit note incorrectly recorded (618 X 2)	✓✓ (1 236)
Discount not yet recorded	✓✓ (2 532)
Trade discount omitted	✓ (981)
Invoice issued after statement date	✓4 526
Balance as per Creditors' Ledger One part correct	☑50 940

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QUESTION 3		
3.1.1	Historical ✓	
3.1.2	Asset register ✓	
3.1.3	Book value or carrying value ✓	
3.1.4	Accumulated depreciation ✓	4

3.2.1

(a) Depreciation on equipment Old: 210 000 – 60 000 – 45 000 = 105 000 x 10/100 = 10 500✓ New: 45 000 x 10/100 x 7/12 = 2 625✓ Sold: 60 000 x 10/100 x 6/12 = 3 000✓	☑16 125 If one part correct
(b) Depreciation on old vehicles 810 000 – 387 000 x 20% = 84 480✓ 330 000 x 20% x 2/12 = 11 000✓	☑95 480 If one part correct
(c) Depreciation on vehicle sold Accumulated depreciation on vehicle sold 200 000 - 72 000 - 9 920	✓☑118 080 If one part correct
(d) Accumulated depreciation on vehicles on 28 February 2017 387600✓ + ☑ 95 480 - ✓118 080 see (b) see (c)	☑365 000 If one part correct

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3.2.2 FIXED ASSET REGISTER

ASSET	Equipment	DATE OF PURCHASE	1 June 2013
COST PRICE	R60 000	DEPRECIATION RATE	10% @ cost price

RECORD OF DEPRECIATION

Date	Depreciation	Accumulated depreciation	Book value
28 February 2014	**4 500**	**4 500**	**55 500**
28 February 2015	**6 000**	**10 500**	**49 500**
28 February 2016	**6 000**	**16 500**	**43 500**
1 September 2016	✓3 000	✓19 500	✓40 500

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3.2.3

Dr ASSET DISPOSAL Cr N

	Vehicles✓	✓200 000		Acc Dep on Vehicles✓ (97 600 + 20 480)	☑118 080
				Bank ✓	✓72 000
				Loss on sale of asset✓	✓9 920
		200 000			**200 000**

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3.2.4

FIXED ASSETS	Land & Buildings	Vehicles	Equipment
Carrying value at beginning		☑422 400	☑88 000
Cost	☑4 789 720	✓ 810 000	✓165 000
Accumulated depreciation		✓ (387 600)	✓ (77 000)
Movements			
Additions at cost	✓2 000 000	✓ 330 000	✓45 000
Disposals at carrying value	✓ (980 000)	☑ (81 920)	☑ (40 500) see 3.2.2
Depreciation		☑ (95 480)	☑ (16 125) see 3.2.1 (a)
Carrying value at end	**✓5 809 720**	**☑ 575 000**	**☑76 375**
Cost	5 809 720	✓ 940 000	✓150 000
Accumulated depreciation		☑ (365 000) see 3.2.1 (d)	☑(73 625)

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QUESTION 4

4.1.1	F√
4.1.2	E√
4.1.3	G√
4.1.4	D√
4.1.5	A√
4.1.6	H√
4.1.7	C√
4.1.8	B√

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4.2 BLUE STORE
INCOME STATEMENT FOR THE YEAR ENDED 28 FEBRUARY 2017

Sales (4 220 700✓ – 12 500✓ – 850✓)	☑4 207 350
Cost of sales (1 100 720√ – 680√)	☑ (1 100 040)
Gross profit	☑3 107 310
Other operating income	☑5 460
Trading stock surplus (698 900 – 697 400)	√√1 500
Provision for bad debts adjustment (3 450 – 3 090)	√√360
Bad debts recovered.	√3 600
Gross operating income	☑3 112 770
Operating expenses	☑(872 250)
Salaries and wages (288 090✓ + 25 000✓ + 2 625✓ + 250✓)	☑315 965
Bad debts (2 790✓ + 540✓)	☑3 330
Rent expense (63 360✓ – 5 280✓✓)	☑58 080
Advertising	√292 330
Water & Electricity (72 000✓ + 11 000✓)	☑83 000
Packing material	✓15 700
Bank charges (1675✓ + 670✓)	☑2 345
Insurance	√18 300
Depreciation	✓83 200
Operating profit	☑2 240 520
Interest income (847✓ + 13 000✓)	☑13 847
Profit before interest expense	☑2 254 367
Interest expense (315✓ + 89 600✓√)	☑(89 915)
Net profit for the year	☑2 164 452

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4.2.2	
• **Trade and other receivables**	
Trade debtors (63 190✓ – 850✓ – 540✓ + 11 700✓)	√☑73 500
Provision for bad debts	✓ (3 090)
Net Trade debtors	70 41
Pr paid expense	√5 280
	75 690☑

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• **Trade and other payables**	
Trade creditors (197 000✓ – 680✓ + 11 700✓+2 580√+1850√)	√☑212 450
Accrued expense	✓11 000
Creditors for salaries (48 000✓ + 18 375√✓)	☑66 375
Pension fund (6 500✓ + 2 625✓ + 1 875✓)	☑11 000
SARS (12 000✓ + 4 500✓)	☑16 500
UIF (1 500✓ + 250✓ +250✓)	✓2 000
	☑319 325

25

90

QUESTION 5

5.1 CAPITAL	Gous	Naidoo	Total
Balance at the beginning of the year	✓2 080 000	✓1 920 000	
Contribution of capital during the year	✓800 000		
Withdrawal of capital during the year			
Balance at the end of the year	**✓2 880 000**	**✓1 920 000**	**4 800 000**

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5.2 INTEREST ON CAPITAL	
Gous 2 080 000 x 8/100✓ x 9/12 = ✓124 800 2 080 000 x 12/100✓ x 3/12 = ✓ 62 400	☑187 200
Naidoo 1 920 000 x 8/100✓ x 9/12 = ✓115 200 1 920 000 x 12/100✓ x3/12 = ✓ 57 600	☑172 800

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5.3 CURRENT ACCOUNTS	Gous	Naidoo	Total
Partners' salaries	✓780 000	✓780 000	
Interest on capital	☑187 200	☑172 800	
Partners' bonus	✓✓101 500		
Primary distribution of profits	☑1 068 700	☑952 800	☑2 021 500
Final distribution of profits	☑5 100	☑3 400	☑8 500
Profit as per Income Statement	☑1 073 800	☑956 200	**2 030 000**
Drawings during the year	☑ (875 000)	✓✓ (905 000)	
Retained income for the year	☑198 800	☑51 200	
Balance at beginning of year	✓25 000	✓ (112 000)	
Balance at end of year	☑223 800	☑ (60 800)	✓☑163 000

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5.4 Balance Sheet on 28 February 2017	
Partners' Equity	☑4 963 000
Capital	☑4 800 000
Current Accounts	☑163 000
Non-Current Liabilities	
Mortgage Loan (1 000 000 – 100 000 – 100 000)	✓✓800 000
Current Liabilities	☑925 000
Bank overdraft	✓705 000
Trade and other payables	✓120 000
Short term loan	✓100 000
Total equity and liabilities	✓☑6 688 000

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QUESTION 6

6.1 Calculate the percentage return on partners' average equity. Comment and use figures to support your answer.

$$\frac{58\,000}{(420\,000 + 234\,000) / 2 \checkmark} \times \frac{100}{1} \checkmark$$

$$\frac{58\,000 \checkmark}{327\,000 \checkmark\checkmark} \times \frac{100}{1}$$

17.74 % ☑

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COMMENT

The percentage return earned on the business equity ✓ decreased ✓ from 24% to 17. 74%. ✓

The return percentage is higher than outside investment of 10%, but the fact that the returns have decreased is a cause for concern, as this shows that the business profits have decreased.

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6.2 **Calculate the percentage return earned by Mikyl on her average equity. Should she be satisfied? Substantiate your answer.**

$$\frac{37\,000}{(200\,000 \checkmark + 160\,000 \checkmark + 8\,000 \checkmark + 2000 \checkmark) / 2 \checkmark} \times \frac{100}{1}$$

$$\frac{37000}{185\,000} \times \frac{100}{1} \checkmark$$

20% ☑

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COMMENT:

YES ✓

The return of 20% is higher than the outside investments of 10% interest p.a. ✓

2

6.3	**CALCULATE THE DEBT : EQUITY RATIO FOR 2017**	
	360 000 ✓ : 420 000 ✓ 0.86 : 1 ☑	**3**

6.4	**Was it a good idea to increase the loan?** **Substantiate your answer with valid reasons.**	
	YES ✓	
	The debt: equity ✓ ratio has improved / decreased ✓ from 1,2:1 to 0.86:1✓	
	OR	
	NO ✓	
	The increase in the debt: equity ratio ✓ is especially due to the increase in the capital contributions made by both partners and not due to the increase of the loan. ✓ Interest rate on repayment of the loan of 21% is high. ✓	**4**

6.5	**Comment on the liquidity position of the company. Quote THREE relevant financial indicators (actual figures / ratios / percentages) and their trends.**	
	Current ratio ✓ improved ✓ from 1,6:1 to 2,29:1✓ Acid test ratio ✓ improved ✓ from 0.6:1 to 1,57:1✓ Average debtors' collection period ✓ improved✓ from 55 days to 30 days. ✓	**9**

6.6	**Comment on the following financial indicators.** **Provide a reason for the improvement or the decline, have with figures.**	
	Gross profit on cost of sales Percentages have decreased✓ from 60% to 50%. Any valid reason ✓ • Trade discounts allowed to bulk buyers • Stock was discounted during a sale. • Errors in calculating mark-up	**3**
	Operating expenses on turnover Percentages have decreased/improved✓ from 50% to 40%✓ There has been better control over operating expenses, as there was a decrease in expenses ✓	**3**

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