GAUTENG PROVINCE
EDUCATION
REPUBLIC OF SOUTH AFRICA

GAUTENG DEPARTMENT OF EDUCATION

PROVINCIAL EXAMINATION

2015

GRADE 11

ACCOUNTING

MEMORANDUM

18 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 incorrect

8. Where penalties are applied, the marks for that section of the question cannot be a final negative.

9. Code f = foreign item

MEMORANDUM	Accounting

QUESTION 1

1.1 CONCEPTS

1.1.1	True	✓
1.1.2	False	✓
1.1.3	False	✓
1.1.4	False	✓

04

1.2.1 CASH RECEIPTS JOURNAL OF SIBEKO TRADERS FOR JULY 2015

Details	Amount	Details of Sundry
Totals	**7 704**	
Orlando Children's home	✓ 1 080	Donation✓
Naidoo Traders	✓168	Creditors' Control✓
Fraser Builders	✓ 839	Repairs ✓
Egoli Bank	✓ 72	Interest on current account✓
Z.Mdluli	✓ 1 400	Rent income ✓
Include the above total	☑ 11 263	

11

1.2.1 CASH PAYMENTS JOURNAL OF SIBEKO TRADERS FOR JULY 2015

Payee	Amount	Details of Sundry
Totals	**6 204**	
Naidoo Traders	✓168	Creditors' Control✓
ZZZ Suppliers	✓99	Trading stock /Creditors' Control✓
Egoli Bank	✓286	Bank charges✓
B.Mangena (R/D)	✓ 1 000	Debtors control ✓
Include the above total	☑ 7 757	

09

1.2.2.CALCULATION OF BANK BALANCE ON 31 JULY 2015	
5 917 + 11 263 - 7 757 = 9 423 ✓✓ ☑ ☑ ☑	**Receipts and payments see 1.2.1**

05

1.2.3 BANK RECONCILIATION STATEMENT FOR JULY 2015

	DEBIT	CREDIT
Credit balance according to the Bank Statement		**4 531**
Credit outstanding deposit (R3 000 + R5 600) **		✓✓ 8 600
Debit outstanding cheques not presented :		
No. 97	✓ 240	
No. 102	✓ 168	
No. 110	✓ 2 000	
No. 114	✓ 1 300	
Debit balance according to the Bank account	☑ 9 423	
If both totals are the same ☑	13 131	13 131

** **allocate one mark if the learner wrote R3 000 or R5 600**

08

1.2.4	Give ONE reason for non-reflection of the deposit and provide TWO control measures that must be applied to avoid this in future.

ONE reason ✓✓

- Cash not deposited by the person responsible
- Rolling of cash by a person responsible for deposits

TWO control measures ✓✓ ✓✓

- Division of duties so that one person serves as a check on another
- Rotation of duties
- Responsible staff members to check / make the deposits
- Encourage EFT payments by customers / debtors
- Ask the bank to send confirmation of deposits (e.g. sms)
- Regular checks if all cash received is deposited daily

Award part marks for poor answers

06

1.3 CREDITORS' RECONCILIATION

	ACCOUNT OF MAXI SUPPLIERS IN CREDITORS' LEDGER OF SHUKUMA TRADERS	STATEMENT RECEIVED FROM MAXI SUPPLIERS
Balance	**R8 752**	**R15 492**
A	+ 300✓	
B		+ 900✓
C	- 200✓	
D	[1 720 +1 720] **or** 3 440✓✓	
E		- 4 100✓
Closing balance	*☑ 12 292	12 292

07

*One mark for both totals, amounts can be different.

Accept brackets as negative figures	If there's no sign assume it's a positive amount

50

QUESTION 2

2.1.	MZIZI TRADERS INCOME STATEMENT FOR 28 FEBRUARY 2015		
		Note	
Sales (540 000 ✓- 12 500✓ - 450✓)			☑ 527 050
Cost of sales (300 000✓ - 250✓✓)			☑ (299 750)
Gross Profit	**Check operation**		☑ 227 300
Other Operating Income	**Check operation**		☑ 29 030
Bad debts recovered			✓ 380
Rent income (33 200✓ - 5000✓ ✓)			☑ 28 200
Provision for bad debts adjustment			✓✓ 450
Gross Operating income			256 330
Operating Expenses	**Check operation**		☑ (205 845)
Water and electricity			✓✓ 8 300
Packing material			✓ 5 590
Bad debts (2 100✓ + 750✓✓)			☑ 2 850
Bank charges			✓ 1 095
Discount allowed			✓ 330
Trading stock deficit			*☑ ✓ 1 550
Insurance			✓✓ 5 750
Salaries and wages			✓✓ 95 000
Employer's contribution			✓✓ 13 180
Depreciation			✓ 65 500
Telephone			✓ 6 700
Operating Profit			50 485
Interest income (13 000✓ + 456 +✓315✓)		**1**	☑ 13 771
Profit Before Interest Expense			64 256
Interest expense (9 000✓+ 10 000✓)		**2**	☑ (19000)
Net Profit for the year	**Check operation**		☑ 45 256
Penalty for foreign items (maximum - 2)	***☑ Any figure**		

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QUESTION 3

3.1 CONCEPTS

3.1.1	Matching	✓	
3.1.2	Historical cost	✓	
3.1.3	Materiality	✓	
3.1.4	Going-concern	✓	
			04

3.2.1

Dr		**Asset Disposal Account**						**N5**	**Cr**
2015 Feb	28	Equipment ✓	GJ	✓ 5 000	2015 Feb	28	Accumulated depreciation on equipment✓ **5 000 × 10% × 3**	GJ	1 500 ✓✓
		Profit on sale of asset✓	GJ	☑ 500			Bank ✓	CPJ	✓4 000
				5 500					5 500
									09

3.2.2				
Tangible Assets [Note 3]	**Land and Buildings**	**Vehicles**	**Equipment**	
Cost	**410 000**	✓300 000	✓165 000	
Accumulated Depreciation	**-**	**(68 000)**	**(64 500)**	
Carrying value on (01-03-2014)	**410 000**	☑ 232 000	☑ 100 500	
Movements				
Additions at cost		✓ 80 000	-	
Disposals at carrying value [5000 - 1500] **[check 5000 – acc dep written by learner in 3.2.1]**			✓☑(3 500)	
Depreciation [4 000 + 46 400]		✓ ✓ (50 400)	✓ (16 500)	
Carrying value on (28 -02-2015)	**410 000**	☑ 261 600	☑ 80 500	
Cost	**410 000**	✓ 380 000	✓ 160 000	
Accumulated Depreciation		✓ (118 400)	*☑ (79 500)	
				16

*** Give any figure Accumulated dep on Equipment**

3.2.3	BALANCE SHEET OF SIMUNYE TRADERS – 28 FEBRUARY 2015			
	ASSETS			
	Non-Current Assets		☑ 812 100	**Operation if one part is correct**
	Tangible assets [**410 000** + (261 600 + 80 500)] **see note 3**	**3**	☑ 752 100	**Check if 410 000 is added**
	Financial Assets [110 000✓ – 50 000✓]		☑ 60 000	**Operation if one part is correct**
	Current Assets		☑ 102 950	**Operation if one part is correct**
	Inventories **[39 000 + 500]**	**4**	**39 500**	
	Trade and other receivables [**63 000** – 3 150 + 3 200]	**5**	✓✓ 63 050	
	Cash and cash equivalents	**6**	**400**	
	TOTAL ASSETS		☑ 915 050	**Check operation**
	EQUITY AND LIABILITIES	**Note**		
	Partners' Equity		☑ 812 150	**Operation if one part is correct**
	Capital [400 000 + 400 000]	**7**	✓✓800 000	
	Current Accounts [19 350 – 7 200]	**8**	✓✓ 12 150	
	Non-current liabilities		45 000	
	Loan: United Bank [120 000 ✓- 25 000✓- 50 000✓]		☑ 45 000	**Operation if one part is correct**
	Current liabilities		☑ 57 900	**Operation if one part is correct**
	Trade and other payables [**21 600** + 1 200✓+ 900✓ + 3 700✓+ 800✓]	**9**	☑ 28 200	**Operation if one part is correct**
	Bank Overdraft [5 500✓ + 300✓ +200✓ - 1 300✓]		☑ 4 700	**Operation if one part is correct**
	Short-term loan: United Bank		☑ 25 000	**Check the long term loan**
	TOTAL EQUITY AND LIABILITIES		☑ 915 050	**Check operation**
				31

3.3.1			
No.	**Degree of profitability**	**Current Ratio**	**Acid Test Ratio**
e.g.	**+**	**+**	**+**
A	0	0	**-** ✓
B	**+**✓	**+** ✓	**+**
C	**-**	**-** ✓	**-** ✓

05

3.3.2

A	**Period for which enough stock is on hand [Stock-holding period]**
	227 750✓ / 796 550✓ x 365✓ / 1 = 104 days ☑ **(one part correct)**

04

B	**Debtors' average collection period**
	184 440 ✓ / 680 000✓ x 365 ✓ / 1 = 99 days ☑ **(one part correct)**

04

C	**Debt-equity ratio**
	270 000: 875 000 ✓ ✓ = 0.3:1 ☑ **(one part correct)**

03

D	**Return on M. Mona's equity**
	260 000 ✓ / 450 000✓ x 100 / 1 = 57.7% or 58% ☑ **(one part correct)**

03

3.3.3	**Respond to the following questions:**
A	Comment on the liquidity position of the business. Use TWO financial indicators to support your answer.
	Two financial indicators ✓✓ figures and trends ✓✓ Comments✓✓ **Period for which enough stock is on hand** • Improved from 180 days to 104 days • Liquidity has improved, movement of stock is better compared to the previous year. **Stock turnover rate** • Improved from 5 times to 7 times • The stock is selling faster or indication of good turnover / possible losses due to price reductions are eliminated. **Debtors' Collection period** • Improved from 114 days to 99 days • Debtors are paying slowly, the normal credit terms is 30 days
B	Explain the results of the debt-equity ratio.
	Ratios and trend ✓ comment✓ • Reduced from 0.53:1 to 0.3 :1 **[also refer to calculation 3.3.2 (C)]** • The business is positively geared / financial risk is low / will be seen as creditworthy
C	Explain whether N. Mona should be satisfied with his returns.
	Yes/No ✓ **Comment** ✓✓ • Yes • His returns are high at 57.7% compared to the interest on fixed deposit at 8% p.a. **[also refer to calculation 3.3.2 (D)]**
	11

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QUESTION 4

4.1 CONCEPTS

(a)	Selling and distribution cost	✓
(b)	Direct labour cost	✓
(c)	Direct material cost	✓

03

4.2.1 CALCULATION OF RAW MATERIAL USED FOR PRODUCTION

69 400 + 191 000✓ + 5 800✓ - 36 800✓ = 229 400☑

04

4.2.2

Dr		**Work-in-Process Stock Account**						**B8**	**Cr**
2014 Jul	01	**Balance**	**b/d**	**15 600**	2015 June	30	Finished goods stock		500 500 ✓✓
		Direct material ✓ **see 4.2.1**		229 400 ☑			Balance	c/d	☑40 570
		Direct labour ✓		184 000 ✓					
		Factory overheads✓		112 070 ☑					
				541 070					541 070
2015 Jul	01	Balance	b/d	40 570					

09

4.2.3

Dr		Finished Goods Stock Account						B8	Cr
2014 Jul	01	Balance	b/d	46 600 ✓	2015 June	30	Cost of sales [20 700✓ x100/3✓x70%✓]		483 000 ☑
		Work- in process **see 4.2.2**		500 500 ☑			Balance		64 100 ☑
				547 100					547 100
2015 Jul	01	Balance	b/d	64 100					

07

4.2.4

Dr		Factory Overheads Cost Account						C2	Cr
2015 June	30	**Factory maintenance**		**13 000**	2015 June	30	Work-in-Process stock		112 070 ☑
		indirect material (11 800✓+34 600✓-8 400✓)		38 000 ☑					
		Wages:cleaner		15 200 ✓✓					
		Rent expense		13 920 ✓✓					
		Water and electricity		18 750 ✓✓					
		Depreciation		✓13 200					
				112 070					112 070

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4.3.1	Calculate the break-even point and comment on your findings.
	Calculation 357120✓ (✓R120 - R56✓) = 5 580 units ☑ **(one part correct)**
	Comment • The business is making a profit. ✓The units produced are 570 above BEP. ✓

06

4.3.2	Provide TWO measures that should be applied by Simelane, in order to reduce the cost of production per unit.
	Two valid points ✓✓ ✓✓ • Training of employees • Purchase raw material at lower prices.

04

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QUESTION 5

5.1 CONCEPTS

5.1.1	What is the main purpose of preparing a Cash Budget?	
	Expected responses ✓✓ To identify future bank balances Monitor or improve control over receipts and payments Anticipate future receipts and payments **1 mark if partially or poorly answered, e.g. plan for receipts**	**02**

5.1.2	Identify THREE items that should not be placed in the Cash Budget		
	Bad debts	✓	
	Depreciation	✓	
	Trading stock on hand	✓	**03**

5.2.1	**Debtors' Collection Schedule from 1 April 2015 to May 2015**			
		Credit sales	**April**	**May**
	February	**23 600**	**4 248**	
	March	**26 000**	**15 600**	✓4 680
	April	**22 800**	✓✓4 332	✓13 680
	May	**27 600**		✓✓5 244
	One mark for both totals ☑		24 180	23 604
	In April check if they added the two printed amounts			
				07

5.2.2. Cash Budget for the period 1 April 2015 to 31 May 2015		
Receipts	**April**	**May**
Cash sales	✓22 000	✓28 800
Cash from debtors	☑24 180	☑ 23 604
Rent income	✓15 000	✓15 000
Fixed deposit		✓36 000
Interest on fixed deposit		✓3 200
Total Receipts **One mark for both totals** ☑	61 180	106 604
Payments		
Cash purchases	**9 920**	**11 760**
Payments to creditors	✓12 360	✓11 840
Operating expenses	✓ 6 000	✓✓ 6 300
Drawings	✓240	✓ 240
Deposit on purchase of vehicle	✓45 000	
Salaries	✓✓ 7 000	✓✓ 7 350
Total Payments **One mark for both totals** ☑	80 520	37 490
Cash surplus / deficit	☑ (19 340)	☑ 69 114
Balance on 1 April 2015	✓14 720	☑ (4 620)
Balance on 31 May 2015	☑ (4 620)	☑ 64 494
Deduct 1 mark for inclusion of Depreciation (R3 500)		

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QUESTION 6

6.1.1 VAT

A	19 600	✓
B	700	✓
C	4 900	✓

03

6.1.2	Rexel Wholesalers, one of Stanza's suppliers, offered Stanza Traders goods valued at R5 400 for R2 700. He stated that Stanza Traders must pay cash and he will not issue an invoice. What advice would you give to Stanza Traders?
	Any one ✓✓ • Rexel clearly wants to avoid taxation. • It is unethical to engage in such transactions. • Getting caught will result in fines, and bad publicity.

02

6.2.1

Dr		**Trading Account**				**F1**	**Cr**
2015 June	30	Opening stock ✓	46 000 ✓	2015 June	30	Sales✓ (1 068 000✓-30 000✓-1 800✓✓)	1 036 200 ☑
		Purchases ✓ (672 000✓+ 15 200✓- 6 800✓)	680 400 ☑			Closing stock ✓	52 000 ✓
		Carriage on purchases ✓ (22 800✓+3 500✓)	26 300 ☑				
		Profit and Loss ✓	☑ 335 500				
			1 088 200				1 088 200

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6.2.2	Ekasi Traders is concerned about high transport costs. Provide TWO ways to solve this problem.
	Two solutions ✓✓ ✓✓ • Check other cheaper service providers • Buy his own vehicle to transport goods

04

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TOTAL: 300