Education and Sports Development
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NORTH WEST PROVINCE

PROVINCIAL ASSESSMENT

GRADE 11

ACCOUNTING

JUNE 2018: MEMORANDUM

MARKS: 300

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 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).
5. 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.
6. Where indicated, part-marks may be awarded to differentiate between differing qualities of answers from candidates.
7. Where penalties are applied, the marks for that section of the question cannot be a final negative.
8. 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.
9. In awarding method marks, ensure that candidates do not get full marks for any item that is incorrect at least in part.
10. Be aware of candidates who provide valid alternatives beyond the marking guideline.
11. Codes: f = foreign item; p = placement/presentation

This marking guideline consists of 12 pages

QUESTION 1:

1.1 **What is the purpose of bank reconciliation?**
• To make sure that the bank balance corresponds or agrees with the balance in the bank statement. • To correct errors and omissions Any relevant answer✓✓

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1.2

1.2.1	False✓
1.2.2	False✓
1.2.3	True✓
1.2.4	True✓

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1.3.1

CASH RECEIPTS JOURNAL		**CASH PAYMENTS JOURNAL**	
Provisional totals	62 800	Provisional totals	109 600
Donation	6 800✓	Packing materials	5 400✓
Telephone	80✓	Fuel	1 680✓
Fuel	1 680✓	Loan	4 000✓
EFT deposit	70 000✓	Debtors control (R/D cheque)	840✓
Rent	16 600✓	Interest expense	186✓
		Bank charges	760✓
TOTALS	**157 960**		**122 466**

BANK BALANCE: - 54 260 + 157 960☑ –122 466☑ = -18 766☑ (CR BALANCE)

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1.3.2

BANK RECONCILIATION STATEMENT ON 31 MARCH 2018

Credit balance according to bank statement	✓34 734
Credit outstanding deposit	✓16 200
Debit outstanding cheques	
• No. 83	✓(7 420)
• No. 90	✓(1 680)
• No. 94✓	✓(28 200)
• No. 95	✓(32 400)
Balance according to bank account	✓✓18 766
total	☑69 700

OR

BANK RECONCILIATION STATEMENT ON 31 MARCH 2018

Credit balance according to bank statement		34 734✓
Credit outstanding deposit		16 200✓
Debit outstanding cheques		
No. 83	7 420✓	
No. 90	1 680✓	
No. 94✓	28 200✓	
No. 95	32 400✓	
Credit✓ balance as per bank account		18 766✓
☑	69 700	69 700

	10

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QUESTION 2:

2.1 Why must the balance of the Creditors' Control Account in the General Ledger be the same as the total of the Creditors List in the Creditors Ledger
It means errors and omissions have been taken into consideration by the business. The external document and internal documents have been reconciled because they are both prepared using the same information Any correct answer ✓✓

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2.2 & 2.3

No.	Balance	Creditors Control	Creditors List
A		307 600✓	337 800✓
A			(84 000)✓✓
B		20 200✓✓	
C		(18 000)✓✓	(18 000)✓✓
D		(4400)✓✓	(4 400)✓✓
E		(22 000)✓✓	
F		880✓✓	880✓✓
G			52 000✓✓✓
		284 280	284 280

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2.4

2.4.1 Quick has asked you to comment on the internal control system he has in place. Are they adequate? Give Two points
They are not adequate.✓ 1. Systems in place are very poor 2. Can be easily manipulated by employees as one individual is responsible for many duties Any other relevant answers✓✓✓✓

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2.4.2 Is the salesman incompetent or guilty of fraud? What action could be taken against him in either case?
He is guilty of fraud. ✓ Under go disciplinary hearing Suspended while investigation takes place Be relieved of his duty with immediate effect Any 2x2✓✓✓✓

	5

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QUESTION 3:

3.1

3.1.1.	F
3.1.2.	E
3.1.3.	A
3.1.4.	C
3.1.5.	B

	5

3.2.1 **Asset Disposal**

Aug	31	Equipment	160 000✓	Aug	31	Accumulated Dep on Equipment (57 600✓+10 249✓)	67 840☑
						Creditors Control✓	80 000✓
						Loss on sale✓	12 160☑
			160 000				160 000

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WORKINGS:

Date	Cost price	Depreciation	Accumulated Dep	Carryin Value
2015	160 000	32 000	32 000	128 000
2016		25 600	57 600	102 400
2017		10 240	67 840	92 160

SP – CV = P/(L) on sale
X – 92 160 = (12 160)

SP = 80 000

3.2.2 FIXED ASSET NOTE

	Land and buildings	**Vehicles**	**Equipment**
Carrying value at the beginning	800 000✓	**247 500**	210 000
Cost (1 March 2017)	**800 000**	**450 000**	280 000✓
Accumulated depreciation(1 March 207)	(0)	(202 500)✓	(70 000)
Movement			
Additions on cost	120 000✓	320 000✓	240 000✓
Disposal at carrying value		(0)	(92 160**)**
Depreciation for the year (67 500✓✓+16 000✓**) (**24 000✓+10 240✓ + 21 520✓**)**		**(83 500)** ☑ **FULL MARKS ONLY WHEN WORKINGS DONE**	**(55 760)** ☑ **FULL MARKS ONLY WHEN WORKINGS DONE**
Carrying value at the end	920 000✓	484 000☑	302 080☑
Cost	920 000✓	770 000✓	360 000✓
Accumulated depreciation	(0)	(286 000)✓	(57 920)✓

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Note: the figures in bold and highlighted should be left on the answer sheet. You will insert ticks!

Workings:

New : 320 000*0,2* 6/12 = 24 000

Old : 280 000 -160 000 = 120 000 CP 70 000 – 57 600 = 12 400 AccDep

Therefore 120 000 – 12 400 = 107 600*0,2= 21 520

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QUESTION 4:

4.1.1

Income Statement of Golden Poppy Traders for the ended 30 June 2017	
Sales (1193000-24000✓✓-3600✓✓)	R1 165 400✓☑
Cost of Sales (668000-2055✓✓)	(R665 945) ☑
Gross profit	**R 499 455**☑
Other operating income	**R 42 170**☑
Rent income(40 800✓-3 360✓✓)	R37 440✓
Discount received	R4 660✓
Provision for bad debts adjustments (4 450✓-4 380✓)	R70✓
Gross income	R541625☑
Operating expenses	(R275133) ☑
Salaries and Wages(152 300✓+2 700✓+323✓)	R155 323☑
Insurance (23 370✓-1 300 ✓✓)	R22 070☑
Packing Material (12 990✓-1915✓)	R11 075☑
Repairs and maintenance	R10 320✓
Water and Electricity (18 240✓+ 1 490✓)	R19 730☑
Bad Debts (3 570✓+1 200✓)	R4 770☑
Sundry Expenditure	R16 200☑
Depreciation (11 500✓+22 500✓)	R34 000✓
Trading Stock deficit (123 300✓+2 055✓-119 600✓)	R1 645☑
Operating profit before interest expenses	R266 492
Interest Income	R3 000✓
Operating Profit before interest expense	R269 492☑
Interest expenditure (27 000✓+7 500✓)	(R34 500) ☑
	R234 992☑

NB : method marks must only be awarded if at least one part within brackets is correct (-1 per foreign entry, max -3)

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4.1.2. **Trade and other Payables**

Trade Creditors ✓	R145 400☑
Accrued Expenses ✓	R8 990✓
Income received in advance✓	R3 360✓
Creditors for Salaries ✓	R1 945✓
SARS (PAYE)(7 450 + 540✓)	7 990✓
Pension Fund(4 100 + 538✓)	R4 638✓☑
Current portion of short-term loan✓	R45 000✓☑
	R217323☑

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QUESTION 5

5.1 GENERAL LEDGER OF BIG BROTHER TRADING ON 28 FEB 2018

Appropriation

2018 Feb	28	Salarie: G BIG	R120000✓✓	2018 Feb	28	Net profit✓	R540 000✓
		Salaries:R Brother	R138 000✓✓				
		Interest on capital (76 500✓✓✓+ 84 000✓✓)	R160 500☑				
		Current account : G Big	R72 900✓☑				
		Current account : G Big	R48 600✓☑				
			R540 000			☑	**R540 000**

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Calculations:

Salaries : G Big : 10 000 x12 = R120 000

: R Brother : 10 000 x $\frac{115}{100}$ × 12 = R138 000

Interest on capital : G. Big > 550 000 x $\frac{12}{100} \times \frac{9}{12}$ = R49 500

900 000 x $\frac{12}{100} \times \frac{3}{12}$ = R27 000

R76 000

Interest on Capital : R700 000 × $\frac{12}{100} \times \frac{12}{12}$ = R84 000

Remaining profit/loss sharing : G Big : R Brother

R900 000 : R600 000

9 : 6

(540 000-120 000-138 000-160 500)= R121 500

5.2

5.2.1.1 Acid test Ratio: (387 200✓- 176 000)✓ : 180 000✓
202 200 : 180 000
1.12 : 1☑

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5.2.1.2 Stock turnover Rate : $\frac{2\ 060\ 000}{\frac{1}{2}(176\ 000+156\ 000)}$✓✓

$\frac{2\ 060\ 000}{166\ 000}$✓✓

= 12.41 times ☑

5

5.2.1.3 Debt/equity ratio : 220 000✓ : 988 200✓✓
0.22 : 1 ☑

4

5.2.1.4 Percentage return earned by Aaron

$$\frac{244\ 600✓}{\frac{1}{2}(500\ 000+600\ 000)✓✓}\times\frac{100✓}{1}$$

$$\frac{244\ 600}{550\ 000}\times\frac{100}{1}$$

= 44.47%☑✓

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5.2.2

No✓

1. Mark-up percentage achieve: has decreased from 63% in 2017 to 60% in 2018. This shows most of the stock were marked down in order to sell them. More stock is being purchased.✓✓✓

2. Operating expenses on sales has increased from 18% in 2017 to 21% in 2018. This shows that there is no control over expenses✓✓✓

3. Net profit on sales has decreased form 19.2% in 2017 to 16.1% in 2018. This is due to an increase in the expense. Poor internal control system used.✓✓✓

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5.2.3

1. **Current Ratio**: it has **increased** from **1.9:1 in 2017 to 2.1: 1 in 2018**. **This shows that the business has the ability to pay its short term debts.**

2. Acid test Ratio: It has improved form 0.9:1 in 2017 to 1.12:1 in 2018. The business is not spending more money on stock.

3. Debtors Collection period has improved form 45 days in 2017 to 38 days in 2018. It shows that our debtors are paying their debts earlier than before.

4. Stock turnover rate has also improved from 10 times in 2017 to 12.41 times in 2018. We are really marketing our stock well

Any 3x4marks✓✓✓✓✓✓✓✓✓✓✓✓

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5.2.4

No✓

Razak's percentage earned has **reduced** from **53.4% in 2017 to 51.2% in 2018**.✓✓ This is due to a small increase in the return on total capital employed.✓✓

5

5.2.5

1. Debt equity ratio used to be 0.3:1 in 2017 and now it's 0.22: 1 in 2018. This shows that the business is of a low risk and every financial institution will like to borrow them money.
2. Return on Total Capital employed has improved from 45.8% in 2017 to 47.1% in 2018. This far higher than the interest rate on loan which is 10% p.a. It is advisable for the business to go for a loan.2x4marks✓✓✓✓✓✓✓✓

8

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Question 6

6.1 Statements of receipts and payments Mubs Football club for the year ended 31 December 2018

RECEIPTS	**R255 250**☑
Membership fees (5 000+80 000+8 000)	R93 000✓
Entrance fees received	R50 000✓
Sales of refreshments	R32 800✓
Cash donation received	R3 670✓
Cash sales of annual dance tickets	R34 500✓
Cash sales of tennis balls	R280✓
Municipal rent received	R40 000✓
Interest on fixed deposit	R1 000✓
PAYMENTS	**(R168 380)**☑
Bank Charges	R2 360✓
Annual dance expenses paid by cheque	R13 200✓
Creditors paid by cheque	R2 400✓
Payment for hire of tennis courts	R6 000✓
Honorarium paid to secretary	R6 700✓
Refreshments purchased for cash	R25 900✓
Rent paid	R12 000✓
Telephone charges paid by cheque	R8 970✓
Repayment of loan by cheque	R14 000✓
Repairs and maintenance paid cheque	R5 210✓
Stationery purchased for cash	R4 440✓
Tennis balls purchased for cash	R2 300✓
Wages paid	R64 900✓
Cash Surplus	**R86 870** ☑
Balance : 01 January 2018	R43 730☑
Balance : 31 December 2018	**R 130 600**☑

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6.2

6.2.1 Annual Dance

a. R34 500✓+R3 560✓-R13 200✓ = R24 860✓

b. Refreshments

R2 200✓+R25 900✓-R1 200✓-R3 000✓= R23 900✓

R32 800-R23 900= R8 900✓

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6.2.2

1. Computer received as a donation ✓
2. Equipment purchased but not yet paid for ✓
3. Refreshments donated to charity ✓
4. Tennis balls purchased on credit ✓

4

6.2.3

- Increase annual dance ticket fees to discouraged more people from attending.
- Limit the annual dance to members and their partners only.
- Charge extra amount for non-members of the club.
  Financial benefit
- The company makes R24 860 profit on annual dance which is more than what they make on selling refreshments. Refer to 6.2.1b
  Any 3 relevant answers✓✓✓✓✓✓

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6.2.4

a. 50 000÷5 000= 10 new members ✓✓✓

b. 5 000÷100= 50 members ✓✓

c. 80 000 ÷100= 800 members ✓✓

d. 8 000÷100 = 80 members ✓✓

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6.2.5

1. They will be satisfied because more money has been collected.
2. Few members are not paying their membership fees.

   Any 2 relevant answers ✓✓✓✓

4

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[300]