GAUTENG PROVINCE
EDUCATION
REPUBLIC OF SOUTH AFRICA

GAUTENG DEPARTMENT OF EDUCATION

PROVINCIAL EXAMINATION

JUNE 2018

GRADE 11

ACCOUNTING

MEMORANDUM

19 pages

GAUTENG DEPARTMENT OF EDUCATION

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. Code f = foreign item

QUESTION 1 **(40 marks; 24 minutes)**

1.1.1	Stale cheque✓
1.1.2	Debit order✓
1.1.3	Bank charges ✓
1.1.4	Dishonoured cheque ✓
1.1.5	Bank overdraft ✓

5

5

1.2.1 **General ledger** **Bank** **B1**

Debtors' control✓	1 000✓	Balance	9 228✓
Donations✓	420✓	Debtors' control✓	600✓
		Sales	720✓
		Drawings✓	1 440✓
		Bank charges✓	80✓
		Interest on overdraft✓	60✓
		Trading stock✓	540✓
		Sales	10 000✓
Balance	21 248		
	22 668		**22 668**
		Balance	21 248☑

18

18

1.2.2 **Prepare the Bank Reconciliation Statement on 30 June 2018.**

	Debit	Credit
Balance as per Bank Statement	18 948☑	
Outstanding deposit		5 620✓
Outstanding cheques		
• 503	5 648✓	
• 537	212✓	
• 549	1 420✓	
• Outstanding EFT payment	640✓	
Credit balance as per bank account		21 248 ☑
Operation for both totals must be the same	26 868☑	26 868 ☑

Foreign entries -1 maximum -2

9
9

1.2.3 (a)	**Why should the internal auditor be seriously concerned about the difference of R10 000?**	
	Any 2 x ✓✓	
	Possibility of rolling of cash	
	Fraud	
	Embezzlement of funds	
		4
		4

(b)	**What internal control methods, besides doing bank reconciliation, could the business implement to avoid this from happening again? Give TWO methods.**	
	Any 2 x ✓✓	
	Division of duties	
	EFT deposits and payments	
	Owner does banking himself	
	SMS received from the bank	
		4
		4

40
40

	QUESTION 2 (20 marks; 12 minutes)	
2.1	**Choose a description from COLUMN B that matches a concept in COLUMN A.**	
2.1.1	D✓	
2.1.2	C✓	
2.1.3	A✓	
2.1.4	B✓	
		4
		4

2.2 CREDITORS' LEDGER OF RAI TRADERS ON 31 JULY 2018

Balance as per ledger account	**6 038**	
Error corrected on invoice 4260✓	(2 700)✓✓	
Interest✓	69✓	
One part correct	3 407☑	**6**
		6

2.3 CREDITORS' RECONCILIATION STATEMENT ON 31 JULY 2018

Balance as per Creditor's Statement	**14 846**	
Discount not yet recorded	(320)✓✓	
Credit note 261 incorrectly recorded	(50)✓✓	
Cheque 2368 issued after statement date	(10 000)✓	
Discount received after statement date	(1 069)✓	
Balance as per Creditors' Ledger One part correct	3407☑	
		7
		7

2.4	**Explain why the Creditors' Control account balance should always be equal to the total of the Creditors' list.**	**(2)**
	• Both are drawn up from the same source documents. ✓ • The Creditors' Control account is a summary of the Creditors' Ledger. ✓	

2.5	**What is the purpose of preparing the Creditors' reconciliation?**	**(1)**
	To reconcile the balance of the Statement of account with the records of the business✓	

3
3

20
20

QUESTION 3 **(60 marks; 36 minutes)**

3.1

No.	Answer
3.1.1	D √
3.1.2	B √
3.1.3	G √
3.1.4	F √
3.1.5	C √

5
5

3.2.1

Calculations	**Amount**
Old equipment: 405 000 ☑ x 20%✓ =	81 000 ☑
New equipment: 60 000 √ x 20% = 12 000✓ / 12 x 3 √ =	3 000 ☑
Total depreciation for the year	84 000 ☑

8
8

3.2.2 **DEPRECIATION SCHEDULE FOR VEHICLE SOLD**

Date	Cost	Depreciation	Accumulated depreciated	Carrying value
2015/12/31	160 000✓	8 000 √√	8 000	152 000☑
2016/12/31	160 000	15 200 √√	23 200☑	136 800☑
2017/07/01	160 000	6 840 √√	30 040☑	129 960 √√

13
13

3.2.3

GENERAL LEDGER OF WESTVILLE DELIVERIES
NOMINAL ACCOUNTS SECTION
ASSET DISPOSAL N 20

Date	Details	Amount	Date	Details	Amount
Jul 01	Vehicles √	160 000 √	July 01	Accumulated depreciation: Vehicles √	30 040 ☑
				Bank √	89 960 ☑
				Loss on sale of fixed assets √	40 000 √
		160 000			160 000

8
8

Calculation for depreciation on vehicles:

Old:
1 340 000 – 160 000 =1 180 000
530 000 -23 200 = 506 800

1 180 000 – 506 800 = 673 200 x 10/100 = 67 320

3.2.4

WESTVILLE DELIVERIES
NOTES TO FINANCIAL STATEMENTS AS AT 31 DECEMBER 2017

FIXED/TANGIBLE ASSETS	Land and buildings	Vehicles	Equipment
Carrying value at beginning of year	740 000	810 000 ☑	285 000 ☑
Cost	740 000 √	1 340 000 √	405 000 ☑
Accumulated depreciation		**(530 000)**	**(120 000)**
Movements			
Additions at cost	62 000 √		60 000 √
? Disposal at carrying value✓		(129 960) ☑	
Depreciation for the year (6 840 ☑ + 67 320 √√)		(74 160)	(84 000) ☑
Carrying value at end of year	802 000	605 880 ☑	261 000 ☑
Cost	802 000 √	1 180 000 √	465 000 ☑
Accumulated depreciation		(574 120) ☑	(204 000) ☑

20
20

3.3	The owner is concerned that internal control over the fixed assets is poor and that the figures for the Fixed Assets in the books and the Financial Statements are unreliable. You have been appointed as the new internal auditor. Provide THREE suggestions on how to solve this potential problem.
	Any THREE √√ √√ √√ • physical security needs to be improved (e.g. cameras; security guards) • proper log books need to be introduced; all employees must fill them in • proper supervision – spot checks on calculations; recording of transactions • the fixed asset register must be kept up to date at all times; checked regularly • separation of duties – the different aspects relating to fixed assets must never be done by one person only • proper authorization of the buying and selling of fixed assets (Any other reasonable answer)

6
6

60
60

QUESTION 4 **(50 marks; 30 minutes)**

GENERAL LEDGER OF BEMBE ……

BALANCE SHEET ACCOUNTS SECTION

Dr **Current account: B. Bembe** **Cr**

		Balance	b/d	√2 300			Interest on Capital✓		☑36 200
		Drawings: Bembe✓ (25 000 + 45 000)		√√70 000			Salary: Bembe✓		☑323 300
		Appropriation acc✓		☑250 300					
		Balance		60 750			Bonus: Bembe✓		☑23 850
				383 350					**383 350**
							Balance		☑60 750

13
13

CALCULATIONS:

SALARY: BEMBE

26 500 X 10 = 265 000√

26 500 X 110/100 = 29 150√ X 2 = 58 300☑

TOTAL = 323 300

INTEREST ON CAPITAL: BEMBE

360 000 – 140 000 = 220 000

220 000√ X 12/100 X 5/12√ = 11 000

360 000√ X 12/100 X 7/12√ = 25 200

TOTAL = 36 200☑

8
8

4.2 **Appropriation Account** **F**

		Interest on capital✓		☑59 400			Profit and loss✓		☑1 200 000
		Salary: Bembe✓		☑323 300					
		Salary: McCarthy✓		✓389 200					
		Bonus: Bembe✓ 26 500 x 90/100		✓✓23 850					
		Bonus: McCarthy✓		✓✓28 800					
		Current Acc: Bembe✓		☑250 300					
		Current Acc: McCarthy✓		✓125 150					
				1 200 000					**1 200 000**

18
18

4.3 **Calculate the percentage return earned by McCarthy on his average equity. Should he be satisfied? Motivate your answer. (11)**
389 200✓ + 28 800✓ + 23 200✓ X 100 (760 000✓ + 680 000✓ + 4 500✓ – 12 300✓)/2✓ 1
= 441 200 716 100
=62%☑
Yes✓ the partner should be satisfied with his return. It is much more than he will be receiving from any other investment.✓

11
11

50
50

QUESTION 5 **(75 marks; 45 minutes)**

5.1

5.1.1	E√
5.1.2	C√
5.1.3	A√
5.1.4	B√
5.1.5	D√

5
5

5.2 INCOME STATEMENT FOR YEAR ENDED 28 FEBRUARY 2018

	Note	
Sales (2 436 000√ – 12 000√)	3	☑2 424 000
Cost of sales	1	√(1 235 000)
Gross profit	1	☑1 189 000
Other operating income	1	☑244 616
Commission income (12 396√ + 1 170√)	3	☑13 566
Rent income (246 400 √ – 19 600√√)	4	☑226 800
Bad debts recovered	1	✓2 475
Discount received	1	√1 775
Gross operating income	1	☑ 1 433 616
Operating expenses	2	☑✓(1 070 016)
Insurance (4 260√ – 220√)	3	☑4 040
Bad debts (1 730√ + 1 170√√)	4	☑2 900
Discount allowed (2 340√ – 150√)	3	☑2 190
Bank charges	1	✓7 410
Salaries and wages (780 00√ + 27 400√ +1 350√ +1 370√ +274√ +274√)	7	☑810 668
Stationery (27 000√ – 700√ – 3 650√)	4	☑22 650
Telephone (43 200√ + 2 800√)	3	☑46 000
Packing material (1 860√√ + 12 100√ – 1 800√)	5	☑12 160
Advertising	1	√14 690
Water and electricity	1	√76 090
Stock losses (5 000 x 30/100)	3	√√√1 500
? Provision for bad debts adjustment	2	✓√163
? Depreciation	1	√46 920
? Sundry Expenses Missing figure	2	☑☑22 635
Operating profit Check operation = 15% of sales	2	☑✓363 600
Interest income (2 300√ + 1 630√)	3	☑3 930
Profit before interest expense	1	☑367 530
Interest expense (312√ + 75 000√√)	4	☑ (75 312)
Net profit for the year	2	☑✓292 218

70
70

75
75

QUESTION 6 **(55 marks; 33 minutes)**

6.1	Name THREE parties interested in the results on the financial statements. Substantiate your answer with reasons. (6)	
	Any THREE √√ √√ √√	
	Financial institutions – to provide short or long term credit	
	Trade creditors – to determine if the business has sufficient assets to be turned into cash in order to meet current liability	
	SARS – To determine if the tax return has been accurately completed	
	Employees / Trade unions – interested in assessing whether salaries and wages are fairly remunerated	
	Owner / proprietor – To monitor the profitability of the business	
		6
		6

6.2.1 BALANCE SHEET ON …….

ASSETS	**Note**	
Non-current assets	1	☑2 239 000
Fixed / Tangible assets (780 000√ + 78 000√ +98 000√ + 800 000√)	5	☑1 756 000
Financial assets:		
Fixed deposit (690 000√ – 207 000☑)	3	☑483 000
Current assets		**305 600**
Inventory (32 000√ + 1 700√)	3	☑33 700
Trade and other receivables (48 000√ – 2 300√ + 16 000√ + 4 000√ – 2 000√)	6	☑63 700
Cash and cash equivalents (1 200√ + 207 000☑)	3	☑208 200
Total assets	1	☑2 544 600
EQUITY AND LIABILITIES		
Capital and reserves / Owners' equity		**2 145 100**
Capitals		**1 501 570**
Current accounts		**643 530**
Non-current liabilities		224 000
Mortgage bond (350 000√ + 15 000√ – 78 000√ – 63 000√)	5	☑224 000
Current liabilities	1	☑175 500
Trade and other payables (45 000√ + 4 500√ + 12 300√ + 5 400√ + 3 300√ – 2 000√ + 32 000√)	8	☑100 500
?Bank overdraft ✓	2	√12 000
?Short term loan ✓	2	☑63 000
Total equity and liabilities		**2 544 600**

40
40

6.2.2	**Calculate the following ratios and comment of the liquidity of the business.**	
(a)	Calculate the Current Ratio.	(3)
	305 600✓ :175 500☑ 1.74:1☑	
(b)	Calculate the Acid-test ratio.	(4)
	305 600✓ -33 700☑ :175 500☑ 279 100:175 500 1.54:1☑	
(c)	Comment.	(2)
	Any 2 ✓✓ The liquidity position of the business is favourable. The business will not experience cash flow problems. The current ratio reflects assets of 1,74 which is higher than current liabilities. The acid-test ratio reflects liquid assets of 1,54 which is higher than the current liabilities.	

9
9

55
55

300
300