Education and Sport Development
Department of Education and Sport Development
Departement van Onderwys en Sportontwikkeling
Lefapha la Thuto le Tlhabololo ya Metshameko
NORTH WEST PROVINCE

PROVINCIAL ASSESSMENT

GRADE 12

ACCOUNTING
JUNE 2017
QUESTION PAPER

MARKS: 300

TIME: 3 Hours

This question paper consists of 16 pages.

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. Show ALL workings to earn part-marks.
4. You may use a non-programmable calculator.
5. You may use a dark pencil or blue/black ink to answer the questions.
6. Where applicable ,show all calculations to ONE decimal point.
7. Write neatly and legibly.

QUESTION 1: 48 Marks; 29 minutes	
Topic of the question is:	**This question integrates:**
Reconciliations and controls	**Financial accounting** Creditors reconciliation **Managing resources** Internal control

QUESTION 2: 44 Marks; 26 minutes	
Topic of the question is:	**This question integrates:**
Inventories	**Managerial accounting** Inventory systems **Managing resources** Internal control

QUESTION 3: 23 Marks; 14 minutes	
Topic of the question is:	**This question integrates:**
Value Added Tax	**Financial accounting** Concepts& Calculations **Managing resources** Internal control

QUESTION 4: 73 Marks; 44 minutes	
Topic of the question is:	**This question integrates:**
Company Financial statements	**Financial accounting** Concepts Income statement Notes to the balance sheet

QUESTION 5: 79 Marks; 47 minutes	
Topic of the question is:	**This question integrates:**
Asset management, cash flow and analysis	**Financial accounting** Multiple-choice questions Cash flow statement and analysis **Managing resources** Fixed assets

QUESTION 6:33 Marks; 20 minutes	
Topic of the question is:	**This question integrates:**
Unique Company concepts and transactions	**Financial accounting** Concepts Unique transactions

QUESTION 1: RECONCILIATIONS AND CONTROLS (48 marks; 29 minutes)

1.1 RECONCILIATIONS

REQUIRED:

Match the error in Column A to the correct choice for fixing the error in Column B. (6)

Column A		Column B	
A	An invoice that has been incorrectly posted to the wrong debtors account.	1	The error will be corrected in the debtors control account, debtors list and Debtors Ledger account.
B	The debtors column in the Cash Receipts Journal has been under cast.	2	The error will be corrected in the debtors control account only.
C	An invoice issued to a debtor has been recorded in the Debtors Journal at the incorrect price.	3	The error will be corrected in the debtors' ledger and debtors' list.

1.2 MTHIMKULU BLANKETS

Mthimkulu Blankets is a business that is owned by Bongiwe Mthimkulu. Bongiwe buys her stock on credit. The following statement was received from one of her major suppliers, called, Showtime (Pty) Ltd.

REQUIRED:

1.2.1 Bongiwe is not sure why it is important to prepare a creditor's reconciliation on a monthly basis. Explain the importance of doing regular reconciliations with regard to creditors. (3)

1.2.2 Reconcile the creditor's statement with the Creditors Ledger account. (12)

1.2.3 The debtor's clerk at Showtime (Pty) Ltd has contacted Bongiwe as they are concerned about the conduct of the account. Do you agree with the concerns of the debtor's clerk? Analyze TWO area to back up your argument. (8)

INFORMATION:

1. Statement issued by Showtime (Pty) Ltd on 30 September 2015

STATEMENT

Showtime (Pty) Ltd
P.O.Box 123
Assagay Hillcrest
Tel: 031 784 1903

Mthimkulu Blankets
P.O. Box 330

3230

Account no.	Credit limit	Statement date	
34838	R10 000	September 2015	30

Date		Transaction	Amount R	Balance R
Sep	1	Balance brought forward		9 590
	7	Returns	(270)	9 320
	12	Purchases	980	10 300
	17	Payment – thank you	(1 500)	8 800
	26	Purchases	3 500	12 300
	29	Returns	(140)	12 160
	30	Purchases	500	12 660

Total amount due/ by you	90 + days	60 + days	30 + days	Current
R12 660	R4 040	R2 580	R1 470	R4 570

Payment terms: Strictly 30 days from statement date

2. Creditors Ledger of Showtime (Pty) Ltd

Date		Details	Folio	Debit R	Credit R	Balance R
Sep.	1	Balance	b/d			9 590
	17	Cheque no. 454	CPJ	1 500		8 090
	26	Invoice no. 332			3 500	11 590
	29	Returns			140	11 730
	30	Invoice no. 337			5 000	16 730

ADDITIONAL INFORMATION

3. Showtime (Pty) Ltd had recorded a credit note on 7 September that was not for Mthimkulu Blankets CC's account.
4. On the 12 September Mthimkulu Blankets CC stated that they never received the goods they ordered. On investigation it was found that Showtime (Pty) Ltd had not carried out the order, as they did not have the item in stock.
5. The bookkeeper of Mthimkulu Blankets had incorrectly recorded the entries on the 29 and 30 September 2015.

1.3CONTROLS

You have been provided with the incomplete bank reconciliation statement prepared for Mthimkulu Blankets for September 2015.

REQUIRED:

1.3.1 Identify ONE problem area with regard to the bank reconciliation statement, which shows Bongiwe has problems controlling the cash in her business. (2)

1.3.2 Explain TWO control measures that Bongiwe needs to put in place to ensure that this does not happen in the future. (4)

1.3.3 Compete the bank reconciliation statement for September so that it balances, after taking into account the additional information given. (13)

INFORMATION:

1. Bank reconciliation statement for Mthimkulu Blankets for September 2015

Details	Debit R	Credit R
Overdraft according to the bank statement	12 550	
Credit outstanding deposit:		
(a) 5 September 2015		50 000
(b) 30 September 2015		25 000
Debit outstanding cheques:		
(a) No. 652 (1 February 2015)	8 500	
(b) No. 899 (18 March 2015)	1 400	
(c) No. 1022 (27 August 2015)	16 800	
(d) No 1222 (29 September 2015)	22 150	
(e) No. 1321 (3 October 2015)	1 580	
(f) Favourable bank balance according to the Ledger	?	?

ADDITIONAL INFORMATION:

2. The amount outstanding on the 5 September could not be found. Bongiwe has decided to keep investigating before she is prepared to write off the amount.

3. The bank account in the Ledger had a favourable balance of R17 000 before the following were taken into account:

   (a) Cheque no. 652 was for a charity, which no longer exists.
   (b) Cheque no. 899 has not been received by the creditor. A new cheque no. 1333 was issued but no entries have been made.

4. Bongiwe realized that the bank had withdrawn an amount of R5 780 (cheque no. 2450). The bank has agreed to refund the amount back to the business account. This will be reflected on next month's statement. **[48]**

QUESTION 2: INVENTORY SYSTEMS (30 marks; 18 minutes)

The following information relates to the trading activities of Bahati Boards for the financial period 1 January to March 2016.

- The business only sells one type of product, and the selling price has remained constant throughout the year.
- The business uses the perpetual inventory system and the FIFO method of valuing stock.

REQUIRED:

2.1.1 Name and explain another method of valuing stock. (2)

2.1.2 Calculate the number of units sold during the period. (8)

2.1.3 Calculate the total number of units on hand on 31 March 2016. (5)

2.1.4 Calculate the value of the closing stock using the FIFO valuation method. (7)

2.1.5 Calculate the gross profit for the period 1 January to 31 March 2016 (12)

2.1.6 Give TWO reasons why you think that the FIFO method is best suited to Bahati Boards rather than the other method named in 2.1.1. (4)

2.1.7 The owner has called you, the internal auditor, into the business as stock appears to be going missing. How would you go about identifying whether the stock is going missing. (4)

2.1.8 Explain ONE control that would be effective for this particular product. (2)

INFORMATION

1. Summary of trading for the period 1 January to 30 March 2016

	Number of units	**Unit price**	**Total R**
Sales			
January 2016	?	1 400	126 000
February 2016	65	?	97 500
March 2016	?	1 550	77 500
Returns by customers in February 2016	15	1 500	?
Stock on hand 1 January 2016	40	950	38 000
Purchases during the year			
January 2016	80	?	68 000
February 2016	90	900	?
March 2016	?	950	66 500

(30)

QUESTION 3: VALUE ADDED TAX (23 marks; 33 minutes)

3.1VAT

3.1.1 Choose a word/phrase from the alternatives provided to complete the sentences listed below. Write only the word/term next to the question number(a to d),in the answer book. (8)

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EVASION ; VAT ZERO-RATED;INPUT VAT;AVOIDANCE ; OUTPUT VAT ;VAT EXEMPTED

(a) …is VAT collected from customers

(b) Fees payable for education is an example of a… goods or service.

(c) Tax…is illegal and punishable by law.

(d) …is VAT paid when goods are purchased by the business.

3.1.2 Billy's Canteen is a busy take-away situated in an industrial area. Although the annual income from sales is less that R1 million, Billy, the owner has registered the business for VAT.

REQUIRED:

(a) Calculate the amount of VAT that Billy will either pay to or receive from SARS. (11)

(b) Explain why Billy benefits from being registered for VAT. Quote figures to support your answer. (2)

(c) Dodgey Dealers, one of Billy's suppliers offered Billy goods valued at R5850 forR2 500.He stated that Billy must pay cash and he will not issue an invoice.
- What advice would you offer Billy? (2)

INFORMATION:

1. **TRANSACTIONS FOR MARCHAND APRIL 2014:**

Cash and credit sales (including VAT)	87 210
Total purchases of goods(excluding VAT)	52 000
Wages paid to staff	15 600
Telephone, water and electricity	10 032
VAT on old warming ovens sold	336
Discounts allowed to debtors for early settlements	1 425
VAT on goods taken for personal use	105

QUESTION 4: COMPANY FINANCIAL STATEMENTS (73 marks; 44 minutes)

4.1 CONCEPTS

Complete the following sentences by inserting the correct words from the box below:

Independent audit report	King Code III	directors' report
Corporate governance report	SARS report	

4.1.1 The _____ expresses an opinion on whether the financial statements are a correct and fair presentation of the company's results.

4.1.2 The _____ comments on the financial position and the current status of the company.

4.1.3 The _____ expresses the rights and responsibilities of the parties in the company. (6)

4.2 GIGANA SPORTS ACCESSORIES LTD

Gigane Sports Accessories Ltd buys and sells sports clothing and accessories. They mark their goods up by 100% on cost.

REQUIRED:

Use the information in the extract of the pre-adjustment trial balance for their financial year ended on 28 February 2016, together with the adjustments, to complete the following:

4.2.1 The income statement for the year ended 28 February 2016. (34)

4.2.2 The following notes to the balance sheet

(a) Trade and other receivables. (11)

(b) Retained income note. (10)

(c) Trade and other payables. (12)

INFORMATION

1. Extract from the pre-adjustment trial balance on 28 February 2016

	R
Accumulated depreciation on equipment	144 000
Accumulated depreciation on vehicles	258 000
Advertising	8 750
Audit fees	20 000
Cost of sales	1 200 250
Creditors control	55 000
Debtors allowance	97 250
Debtors control	65 200
Directors fees	300 000
Dividends on ordinary shares	52 000
Equipment	256 000
Insurance	15 000
Loan: Trident Bank (8% p.a.)	600 000
Ordinary share capital (50 000 shares)	1 200 000
Provision for bad debts	5 120
Profit on sale of asset	1 000
Rent income	99 540
Retained income	152 500
Salaries and wages	275 000
Sales	2 600 500
SARS: Income tax	(dr) 282 000
Sundry expenses	93 000
Vehicles	890 000

ADJUSTMENTS AND ADDITIONAL INFORMATION

2. On 31 March 2015 the directors decided to buy back 10 000 shares from the estate of a shareholder at R35 per share. No entries have been made.

3. The totals in the DAJ for February were R6 000 for debtors allowances and R3 500 for cost of sales. In posting to the ledger, the bookkeeper had credited debtors control account with R3 500 and credited cost of sales with R6 000. The debtors' allowance and trading stock accounts were correct.

4. Rent has been received until the end of April 2016.

5. In terms of the loan agreement, Trident Bank is to be repaid R14 000 per month, including interest of R4 000. All 12 payments for the current year have been paid and interest has been capitalized. The interest for the year still to be brought into account.

6. A cheque for R6 000 was paid to the Seipone News for six adverts. These adverts were to be placed monthly in the newspaper beginning on the 1 February and this transaction is not yet recorded.

7. Gigana Sports Accessories Ltd has three employees and each is entitled to a net salary of R12 000 per month. One employee had only started work on 1 February 2016 and the bookkeeper had forgotten to process all aspects of his salary for the month. PAYE is 20% of the gross salary and the only other deduction is R2 000 for medical aid.

8. Total depreciation for the year amounted to R 83 300.

9. Provision for bad debts must decrease by R256.

10. Directors' fees of R10 000 have not yet been paid to the directors.

11. The directors have decided to recommend a final dividend of 42 cents per share.

12. Income tax for the year amounted to R210 000.

[73]

QUESTION 5: ASSET MANAGEMENT, CASH FLOW STATEMENT AND ANALYSIS (79 marks; 47 minutes)

1.1 MULTIPLE-CHOICE QUESTIONS (10)

5.1.1 The solvency ratio assesses by how much:
(a) a company' total assets exceed its total liabilities.
(b) a company's current assets exceed its current liabilities.
(c) a company owes its shareholders for the amount invested by them.
(d) a company's non-current assets exceeds its non-current liabilities.

5.1.2 The net asset value is calculated using the following formula:
(a) Net profit for the year divided by the number of shares issued.
(b) Net profit for the year divided by the average shareholders' equity X 100.
(c) Ordinary shareholders equity divided by the number of issued shares.
(d) Dividends on ordinary shares divided by the number of shares issued.

5.1.3 The acid test ration is used to assess_____.
(a) Profitability
(b) Risk
(c) Return
(d) Liquidity

5.1.4 The directors of a company may decide to repurchase shares from a shareholder because:
(a) they want to adjust the debt / equity ratio.
(b) they do not like the shareholder.
(c) it has been a requirement from the auditors' report.
(d) they will always get the shares cheaper than the original issue price.

5.1.5 The return on shareholders' equity is calculated by:
(a) net profit after tax and interest divided by average capital employed.
(b) net profit before interest and tax divided by average capital employed.
(c) net profit after interest and tax divided by average shareholders' equity.
(d) net profit before interest and tax divided by average shareholders' equity.

5.2 UMKHANYA LTD

Below is the information for Umkhanya Ltd, a company that specializes in supplying tennis equipments to tennis clubs.

REQUIRED:

5.2.1 Complete the tangible asset note for the year ended 28 February 2016. (21)

5.2.2 Use the information that follows to calculate the amounts that would appear in the cash flow statement for the following:

(a) Cash generated from operating activities. (12)
(b) Income tax paid (4)
(c) Dividends paid (4)
(d) Cash effects of investing activities (4)
(e) Cash flow from financing activities (4)

5.2.3 (a) Calculate the debt to equity ratio (3)
(b) Calculate the return on capital employed (12)
(c) The directors of the company decided to expand the business by purchasing additional tangible assets. Comment on whether you agree with the directors' approach of financing the expansion by calculating risk and return on capital employed. (5)

INFORMATION

Tangible asset note

Fixed / tangible assets	**Land & building R**	**Vehicles R**	**Equipment R**
Carrying value at the beginning of year	8 200 000	3 330 000	2 340 000
Cost	8 200 000	?	3 215 000
Accumulated depreciation		(3 170 000)	?
Movements			
Additions at cost	500 000	0	?
Disposal at carrying value		?	0
Depreciation		?	?
Carrying value at the end of year	?	2 236 000	?
Cost	?	5 750 000	?
Accumulated depreciation		?	(1 349 500)

2.Extract from the income statement for the year ended 28 February 2016.

Details	R
Interest on loan	600 000
Net profit before taxation	4 250 000
Taxation	1 250 000

3.Extract from the balance sheet on 28 February 2016

Details	2016 R	2015 R
Ordinary share capital	7 850 000	7 000 000
Retained income	3 300 000	1 500 000
Loan (15% p.a.)	4 000 000	6 000 000
Trading inventory	5 500 000	4 250 000
Trade and other receivables (see note 4)	1 800 000	1 400 000
Cash and cash equivalents	?	4 199 000
Trade and other payables (see note 5)	4 399 000	3 449 000

ADDITIONAL INFORMATION AND NOTES

4 During the year an additional warehouse was erected, new equipment was bought on 31 August 2015 and an old vehicle was sold at carrying value on 1 December 2015.

5 Vehicles are depreciated at 15% on cost price and equipment is depreciated at 20% using the diminishing balance method.

6 The company had 2 000 000 shares in issue on 28 February 2015. 1 000 000 additional shares were issued on 1 March 2015 at 85 cents per share.

7 Dividends paid on shares for 2015: Interim was 25 cents per share; final was 20 cents per share.

8 Part of the loan was paid back on 1 March 2015. The interest rate remained at 15 %.

9.Trade and other receivables note:

Details	2016 R	2015 R
Trade debtors	1 742 000	1 340 000
Expenses prepaid (insurance)	58 000	60 000

10. Trade and other payables note:

Details	2016 R	2015 R
Trade creditors	3 722 000	2 760 000
Shareholders for dividends	?	600 000
SARS (Income tax)	5 000	4 000
Accrued expenses	72 000	85 000

[68]

QUESTION 6 COMPANY CONCEPTS (33 marks; 20 minutes)

6.1 CONCEPTS

REQUIRED:

Match the words (or phrases) in Column A with the correct definition in Column B. (10)

Column A		Column B	
A	Transparency as a requirement of the remuneration policy.	1	The ability to ensure that operations can be maintained, assets can be protected or replaced for the future.
B	Good corporate governance	2	A report that not only discusses the company's performance (its finances) but also represents a more holistic representation of the company's performance and its sustainability.
C	Conflict of interest	3	Companies should disclose the income earned by each individual director, giving details of pay, bonus and share –based payments, etc.
D	Sustainability	4	Where management ensures that the rules and processes of the business are well explained. They ensure that the business adheres to accepted ethical standards and best practices, as well as to formal laws.
E	Integrated report	5	When a person is in a position where he or she has more than one interest in a situation, and that by looking at one of these interests they may neglect the other interest.

6.2**TECHNO GEEKS LTD**

Techno Geeks Ltd has an authorized share capital of 2 000 000 shares.

REQUIRED:

6.2.1 Use the information given to draw up the ordinary share capital note of Techno Geeks Ltd for the year ended 31 August 2016. (11)

6.2.2 What was the unit value of the shares before the buy-back of shares on 21 August 2016. (6)

6.2.3 Give THREE possible reasons of what could have caused the increase in the market price of the shares over the years. (6)

TRANSACTIONS

1. On 5 September 2012 the company was founded and 1 000 000 shares were issued at 400 cents each.

2. On 14 November 2014, the company issued a further 500 000 shares at 440 cents each.

3. On 1 September 2015 the balance in the retained income account was R700 000.

4. On 21 August 2016, the company had an excess of cash and decide to purchase back shares. They managed to buy back 400 000 shares for 483 cents per shares. **[30]**

TOTAL [300]