GAUTENG PROVINCE
EDUCATION
REPUBLIC OF SOUTH AFRICA

GAUTENG DEPARTMENT OF EDUCATION

PROVINCIAL EXAMINATION

2015

GRADE 11

ACCOUNTING

MARKS: 300
TIME: 3 hours

18 pages

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INSTRUCTIONS AND INFORMATION

1 Answer ALL the questions.

2 Show ALL workings in order for part-marks to be allocated.

3 Read the instructions carefully and follow them precisely.

4 Write neatly and legibly.

5 Non-programmable calculators may be used.

6 All answers must be written in blue or black ink.

Question	Topic	Marks	Time in minutes
1	Reconciliations	50	30 min
2	Financial Statements	45	27 min
3	Partnerships and Analysis	90	54 min
4	Manufacturing	45	27 min
5	Cash Budget	40	24 min
6	VAT and Periodic Inventory	30	18 min
Total		**300**	**180 minutes**

QUESTION 1: CONCEPTS AND RECONCILIATIONS (50 marks; 30 minutes)

1.1 CONCEPTS

Indicate whether the following statements are TRUE or FALSE. Write only 'true' or 'false' next to the question number (1.1.1–1.1.4) in the ANSWER BOOK.

1.1.1 Preparing a Bank Reconciliation Statement is an important part of internal control in a business. (1)

1.1.2 A debit balance on the Bank account reflects an unfavourable bank balance. (1)

1.1.3 A post-dated cheque issued must be recorded in the Cash Payments Journal on the date issued. (1)

1.1.4 Interest on bank overdraft is an operating expense. (1)

1.2 BANK RECONCILIATION

REQUIRED

1.2.1 Prepare the Cash Journals. (20)

1.2.2 Calculate the Bank balance on 31 July 2015. (5)

1.2.3 Prepare the Bank Reconciliation Statement as at 31 July 2015. (8)

1.2.4 The internal auditor is not happy about the deposit of R3 000 not appearing in the July 2015 bank statement. Give ONE reason why the deposit is not reflected and provide TWO control measures that must be applied to avoid this in future. (6)

The following information is extracted from the books of Sibeko Traders on 31 July 2015.

INFORMATION

A

Bank Reconciliation Statement of Sibeko Traders – June 2015	
Credit balance according to bank statement	5 040
Credit outstanding deposit	3 720
Debit outstanding cheques:	
No.44 (Dated 19 January 2015)	1 080
No.90	168
No.95	516
No.97	240
No.98	839
Debit balance as per Bank Account	?

Provisional totals: Cash Receipts Journal R7 704
Cash Payments Journal R6 204

B On comparing the above Bank Reconciliation with the Bank Statement from the Egoli Bank for July 2015, the following differences were discovered:

- Cheque no. 44 donated to Orlando Children's home did not appear on the July bank statement.
- Cheque no. 90 issued in payment of the account of Naidoo Traders dated 28 May 2015 has been lost in the post. Replacement cheque no.102 was not presented for payment. No entries were made on these transactions.
- Cheque 95 issued to ZZZ Suppliers for trading stock appears in the July bank statement as R615. The figure in the bank statement is correct.
- Cheque no. 98 was issued to Fraser Builders for repairs on 24 July 2015. Sibeko Retailers stopped the payment because the work done was not up to standard. No entry has been made to show that the cheque has been stopped.
- The outstanding deposit did appear in the bank statement for July 2015.

C On comparing the July Cash Journals and the July Bank Statement the following were noted:

- The following deposits did not appear in the Bank Statement for July 2015:
    - R3 000 received from a debtor, S.Radebe on the 18th of July
    - R5 600 for cash sales (on the 29th of July 2015)
- The following cheques issued were not presented to the bank for payment:

Cheque no.110	R2 000
Cheque no.114	R1 300 (Dated 05 August 2015)

- The following appeared on the Bank Statement but not in the Cash Journals:

○ Service fees	R132	○ Credit card levy	R120
○ Deposit fees	R34	○ Interest on current account	R72

- A cheque of R1 000, received from B. Mangena in payment of his account was dishonoured by the bank because of insufficient funds.
- A tenant, Z. Mdluli deposited his rent of R1 400 into the bank account of Sibeko Traders.
- The Bank Statement for July reflected a favourable balance of R4 531.

1.3 **CREDITORS' RECONCILIATION**

Shukuma Traders received a statement of account from a creditor, Maxi Suppliers. The balance on the statement did not agree with that on the account of Maxi Suppliers in the Creditors' Ledger of Shukuma Traders.

REQUIRED:

Complete the table in the ANSWER BOOK to show how the differences must be treated to reconcile the Creditors' Ledger Account balance with the statement balance.

Write the amounts in the appropriate columns and indicate the increase or decrease with a (+) or (-) with each amount.

Total the columns to show the correct balances as at the end of April 2015. (7)

INFORMATION:

Balance of Maxi Suppliers in the Creditors' Ledger of Shukuma Traders	R8 752
Balance on the statement received from Maxi Suppliers	R15 296

A comparison between the Creditors' Ledger Account of Maxi Suppliers and the statement of account showed the following differences:

A Shukuma Traders entered a discount of R300 relating to a payment of R4 000 on 16 April 2015. Maxi Suppliers did not approve this discount stating that the payment was received late.

B An invoice for R8 796 received from Maxi Suppliers was correctly recorded in the Creditors' Ledger Account. The amount was incorrectly recorded as R7 896 on the statement.

C The statement of account reflected returns valued at R712. The Creditors' Ledger Account showed R512. It was established that Shukuma Traders miscalculated the value of the goods returned.

D An invoice for R1 720 received from Maxi Suppliers was incorrectly recorded as a debit note in the Creditors' Ledger.

E A direct transfer of R4 100 by Shukuma Traders was recorded in the Cash Payments Journal on 28 April 2015. The statement of account from Maxi Suppliers was dated 25 April 2015.

QUESTION 2: INCOME STATEMENT **(45 marks; 27 minutes)**

The information provided relates to Mzizi Traders on 28 February 2015.

REQUIRED

Prepare the Income Statement for the year ending on 28 February 2015. (45)

INFORMATION

PRE-ADJUSTMENT TRIAL BALANCE ON 28 FEBRUARY 2015

BALANCE SHEET SECTION	**Debit**	**Credit**
Capital		474 200
Drawings	96 250	
Vehicles	360 000	
Equipment (at cost)	185 000	
Accumulated depreciation on vehicles		72 000
Accumulated depreciation on equipment		60 500
Loan : Mzansi Bank		150 000
Fixed Deposit : Mzansi Bank @ 10% p.a. [01-03-2014]	130 000	
Trading stock	67 000	
Debtors' control	44 450	
Provision for bad debts		2 400
Bank	35 654	
Petty cash	280	
Creditors' control		21 553
NOMINAL ACCOUNTS SECTION		
Sales		540 000
Cost of sales	300 000	
Debtors' allowances	12 500	
Rent income		33 200
Salaries and wages	85 000	
Employer's contribution	12 900	
Bad debts	2 100	
Electricity and water	7 200	
Discount allowed	330	
Telephone	6 700	
Insurance	6 200	
Packing material	6 070	
Bank charges	675	
Interest on loan	9 000	
Interest on current account		456
Interest on fixed deposit		13 000
	1 367 309	1 367 309

ADJUSTMENTS AND ADDITIONAL INFORMATION

1 The water and electricity account for February 2015 has not been paid, R1 100.

2 The debtor, S.Moodley, returned the damaged goods, the selling price was R450, and the mark-up was 80% on cost.

3 A physical stock-count on 28 February 2015 revealed that trading stock to the value of R65 700 was on hand.

4 Packing material to the value of R5 590 was used during the year ended 28 February 2015.

5 The business received R500 from V. Mokoena, as a first and final dividend of R0.40c in the rand. The balance must be written off.

6 The Bank statement from Mzansi Bank reflected the following:

- Interest on current account R315
- Bank charges R420
- Transfer from S.Sibiya, (previously written off as irrecoverable) R380

7 Provision for bad debts must be adjusted to R1 950.

8 Insurance expenses include a premium of R450, for March 2015.

9 Rent incomes include rent for March and April 2015, the rent was increased on 01 September 2014 by R300.

10 One employee is omitted in the Salaries Journal for February 2015.

Gross Salary	Deductions	Employer's Contribution	Net salary
R?	R2 000	R280	R8 000

11 Received the loan statement from Mzansi Bank.

Balance on 01 March 2014	R 225 000
Capitalised interest	?
Repayments during the year including interest	84 000
Balance on 28 February 2015	160 000

Note: Interest is capitalised regularly.

12 Depreciation on tangible assets amount to R 65 500.

QUESTION 3: GAAP, PARTNERSHIPS AND ANALYSIS (90 marks; 54 minutes)

3.1 GAAP PRINCIPLES

Choose the correct GAAP principle from the list of principles to best fit the statements that follow.

historical cost; matching; business entity; materiality; going-concern; prudence

3.1.1 Income and expenditure must be reported in the correct financial period. (1)

3.1.2 Assets are recorded at the original cost price and not at carrying value. (1)

3.1.3 Financial information of importance to decision making must be shown separately for the users of information. (1)

3.1.4 Financial statements are prepared on the assumption that a business will continue in the foreseeable future. (1)

3.2 PARTNERSHIPS

The following information was taken from the accounting records of Simunye Traders, a partnership business owned by Simon and Neo.Their financial year ended on 28 February 2015.

REQUIRED

Prepare the following:

3.2.1 The Asset Disposal Account (09)

3.2.2 The Tangible Assets Note (16)

3.2.3 The Balance Sheet on 28 February 2015
[Workings must be shown in brackets in the Balance sheet.] (31)

A INFORMATION

LIST OF BALANCES ON 28 FEBRUARY 2015		
	Debit	**Credit**
Capital: Simon		400 000
Capital: Neo		400 000
Current Account: Simon (28 February 2015)	7 200	
Current Account: Neo (28 February 2015)		19 350
Land and Buildings	410 000	
Vehicles	380 000	
Equipment (at cost)	160 000	
Accumulated depreciation on vehicles		118 400
Accumulated depreciation on equipment		79 500
Fixed Deposit: United Bank – 9 % p.a.	110 000	
Loan: United Bank – 12% p.a.		120 000
Trading Stock	39 000	
Consumable stores on hand	500	
Debtors' Control	63 000	
Creditors' Control		21 600
SARS: PAYE		1 200
Pension Fund		900
Bank		5 500
Cash Float	400	
Provision for bad debts		3 150
Prepaid expenses	3 200	
Accrued expenses		3 700
	1 173 300	1 173 300

B ADJUSTMENTS AND ADDITIONAL INFORMATION

1 The business made a net profit of R320 000 for the year ended 28 February 2015.
(All the adjustments below were taken into account)

2 The bookkeeper omitted the PAYE deduction of a temporary employee from the list of balances, it amounts to R800.

3 The business would reduce the loan by R25 000 in the next financial year through monthly payments.

4 The Fixed Deposit of R50 000 will mature on 31 May 2015. This amount will be deposited into the loan account at United Bank.

5 The accountant omitted the following information from the Bank Statement:

Extracted from the statement of United Bank – February 2015	
Bank charges	R300
Interest on overdraft	R200
Deposit by S.Bopape (previously written-off amount)	R1 300

6 Depreciation on vehicles is calculated at 20% p.a. on the diminishing balance method and on equipment at 10% p.a. on cost.

Note

- Equipment was sold on the 28th of February 2015 for cash, R4 000. It was bought on 01 March 2012, for R5 000.
- An additional vehicle was purchased on 01 December 2015 for R80 000.

The transactions on tangible assets have been recorded.

3.3 ANALYSIS AND INTERPRETATION OF FINANCIAL STATEMENTS

The following information was extracted from the records of Mona Lisa Traders owned by partners M. Mona and L. Lisa. Their financial year ended on 28 February 2015.

3.3.1 REQUIRED

Show what effect each of the given transactions has on the degree of profitability, current ratio and the acid test ratio. Show an increase with a "+", a decrease with a "-" and no change with a "0". (5)

Note

1. The bank balance is **favourable** at all times, unless otherwise indicated.
2. Current assets are compared to current liabilities at all times.

Example: Received the monthly rental by cheque.

No.	Degree of profitability	Current Ratio	Acid Test Ratio
e.g.	+	+	+

Transactions

A Purchased trading stock on account from Sun Ltd for R5 700.
B Sold goods costing R870 for R1 250 cash.
C The bank debited the business with R150 interest on overdraft.

3.3.2 **REQUIRED**

Calculate the following financial indicators.

A Period for which enough stock is on hand [Stock-holding period] (4)
B Debtors' average collection period (4)
C Debt-equity ratio (3)
D Return on M.Mona's equity (3)

3.3.3 **REQUIRED**

Respond to the following questions.

A Comment on the liquidity position of the business. Use TWO financial indicators to support your answer. (6)

B Explain the results of the Debt-equity ratio. (2)

C Explain whether M.Mona should be satisfied with his returns. (3)

INFORMATION

A	**2015**
Cash sales	475 000
Credit sales	680 000
Cost of sales	796 550
Trading stock on hand	227 750
Debtors' Control	184 440
Partnership equity	875 000
M.Mona's equity	450 000
Earnings for the year : M.Mona	260 000
Loan: Marine Bank [17% p.a.]	270 000

B	**2015**	**2014**
Period for which enough stock is on hand	?	180 days
Stock turnover rate	7 times	5 times
Debtors' collection period	?	114 days
Creditors' payment period	60 days	60 days
Debt-equity ratio	?	0.53:1
Interest rate on fixed deposit	8 % p.a.	9 % p.a.
Interest rate on loan	17 % p.a.	18 % p.a.

QUESTION 4: MANUFACTURING (45 marks; 27 minutes)

4.1 CONCEPTS

Identify THREE variable costs from the list provided. (3)

factory overhead cost, selling and distribution cost, administration cost, direct labour cost, salary of factory foreman, direct material cost

4.2 REEVA MANUFACTURERS

Reeva Manufacturers is a manufacturing business that produces leather bags.
The financial year ended on 30 June 2015.

REQUIRED

Complete the following:

4.2.1 Calculate the raw material used for production. (04)
4.2.2 Work-in-Process Stock (09)
4.2.3 Finished Goods Stock (07)
4.2.4 Factory overheads Cost (12)

INFORMATION

Balances

	1 July 2014	30 June 2015
Raw material stock	69 400	36 800
Work-in-process stock	15 600	?
Finished goods stock	46 600	?
Indirect material (consumable stores on hand)	11 800	8 400

Transactions for the year ended 30 June 2015

Raw materials purchased for cash	191 000
Carriage on purchases of raw materials (paid cash)	5 800
Raw materials issued for production	?
Indirect materials purchased for cash	34 600
Direct wages	184 000
Wages of a cleaner – Admin **(Refer to additional information)**	3 800
Salaries – sales staff	37 200
Advertising	6 200
Rent expense **(Refer to additional information)**	23 200
Factory maintenance	13 000
Water and electricity **(Refer to additional information)**	25 000
Depreciation on factory machinery	13 200
Commission on sales (3% of sales)	20 700

ADDITIONAL INFORMATION

(a) Rent must be allocated in proportion to the floor space occupied. The factory area use 600 square meters and the office area uses 400 square meters.

(b) The cleaner spends 20% of his time cleaning the Administration Block and the rest in the factory. Cost must be allocated according to the time spent in each department.

(c) The factory uses 75% of water and electricity.

(d) 7 150 units were produced at the cost of R70 per unit.

(e) Cost of sales is equal to 70% of sales.

4.3 BREAK-EVEN ANALYSIS AND PROBLEM SOLVING

Gauteng Clothing Factory

Gauteng Clothing factory produces high quality clothes. The owner M.Simelane is not happy about the drop in the production levels, and the increase in cost of production per unit.

The following figures are presented after all the costs have been taken into consideration:

	TOTAL	PER UNIT
Sales	R738 000	R120
Variable costs	R344 400	R56
Fixed costs	R357 120	
Number of units produced and sold	6 150	
Break-even number of units	?	

REQUIRED

4.3.1 Calculate the break-even point and comment on your findings. (6)

4.3.2 Provide TWO measures that should be applied by Simelane, in order to reduce the cost of production per unit. (4)

QUESTION 5: CASH BUDGET AND CONCEPTS (40 marks; 24 minutes)

5.1 **CONCEPTS**

5.1.1 What is the main purpose of preparing a Cash Budget? (2)

5.1.2 Identify THREE items that should not be placed in the Cash Budget from the information given below. (3)

Cash sales, cash withdrawals, Bad debts, Rent income, depreciation, trading stock on hand, interest on fixed deposit

5.2 You are provided with the information relating to Mayibuye Traders. The owner M.Mothate requests your assistance with her cash budget for the two-month period April to May 2015.

REQUIRED

5.2.1 Complete the Debtors' Collection Schedule. (07)

5.2.2 Complete the Cash Budget. (28)

INFORMATION

Summary of transactions

DETAILS	ACTUAL			BUDGETED	
	January	February	March	April	May
Cash sales	R 22 000	R 19 600	R 17 200	R 22 000	R 28 800
Credit sales	R 22 720	R 23 600	R 26 000	R 22 800	R 27 600
Credit purchases of stock	R 13 480	R 13 000	R 12 360	R 11 840	R 14 320
Rent income	R 12 000	R 12 000	R 12 000	R15 000	R 15 000
Operating expenses	R 5 280	R 5 600	R 6 000	??	R 6 615

ADDITIONAL INFORMATION

1 Cash in the Bank on 31 March 2015, R 14 720.

2 Credit sales are to be collected as follows:

- 20% in the month of sale (subject to a 5% discount)
- 60% after 30 days (first month after sale)
- 18% after 60 days (second month after sale)
- 2% is to be written off after 90 days (third month after sale)

3 Creditors are paid one month after purchases.

4 Operating expenses are paid in cash one month after the expense occurred. The operating expenses increase by 5% per month over the budget period.

5 The following withdrawals are made monthly by the owner:

- Cash to pay for owner's personal telephone R 240
- Trading stock R 560

6 Rent income will increase on the 1st of July 2015.

7 Fixed deposit of R 36 000 with an interest of R 3 200 is due to mature on the 15th of May 2015.

8 Depreciation is calculated at R 3 500 per month.

9 A new vehicle costing R160 000 will be purchased in April 2015. A deposit of R45 000 will be paid at the end of April 2015. The balance will be paid in eight equal monthly instalments commencing from June 2015.

10 The two employees who earn the same salary will receive an increase of 5% on their current salaries at the end of May 2015. The increase for both employees will amount to R 350.

QUESTION 6: VAT AND PERIODIC INVENTORY (30 marks; 18 minutes)

6.1 **VAT AND ETHICS**

You are provided with the information of Stanza Traders, a registered VAT vendor. Goods are subject to 14% VAT.

REQUIRED

6.1.1 Calculate the missing amounts from the table given below. (3)

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? (2)

INFORMATION

	VAT exclusive	VAT	VAT inclusive
1	140 000	**A**	
2	**B**	98	
3		**C**	39 900

6.2 **PERIODIC INVENTORY**

You are provided with the information relating to Ekasi Traders for the year ended 30 June 2015.
The business uses the **periodic inventory system.**

REQUIRED

6.2.1 Trading Account [Show your calculations.] (21)

6.2.2 Ekasi Traders is concerned about high transport costs. Provide TWO ways to solve this problem. (4)

INFORMATION

A. Balances		
Trading stock	01 July 2014	R46 000
	30 June 2015	R52 000

B. Summary of transactions during the year	
Sales	1 068 000
Debtors' allowances	30 000
Purchases	672 000
Carriage on purchases	22 800
Carriage on sales	24 000
Advertising	5 400
Other operating expenses	95 000

C. ADJUSTMENTS AND ADDITIONAL INFORMATION

1 Goods costing R15 200 were received on credit from Southern Manufacturers on 30 June 2015.

2 Ekasi Traders returned damaged goods to the suppliers, R6 800.

3 Ekasi Traders received an invoice from Zee Transporters for the following:

- Transporting stock to customers, R3 200
- Transporting of stock from suppliers, R3 500

4 A customer, B.Bentley, complained that the trade discount promised to her was not deducted on her last invoice. The goods were sold for R9 000. A credit note for trade discount of 20 % was issued, but no entry has been made.

TOTAL: 300

END