LIMPOPO
PROVINCIAL GOVERNMENT
REPUBLIC OF SOUTH AFRICA

DEPARTMENT OF
EDUCATION

**CONTROLLED TEST**

# GRADE 11

## ACCOUNTING TERM 3

## SEPTEMBER 2023

**MARKS : 100**

**TIME : 1.5 Hours**

**This question paper consists of 09 pages (including a 1 page formula sheet) and an answer book of 07 pages.**

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## INSTRUCTION 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. A FORMULA SHEET for financial indicators is provided at the back of this question paper. You may use it if necessary
4. Show ALL workings in order to earn part-marks.
5. You may use a non-programmable calculator.
6. You may use a dark pencil or black/blue ink to answer the questions
7. Where applicable ,show ALL calculations to ONE decimal point
8. Write neatly and legible.
9. Use the information in the table below as a guide when answering the question paper. Try NOT to deviate from it.

| QUESTION | TOPIC | MARKS | MINUTES |
|---|---|---|---|
| 1 | Budgeting | 30 | 27 |
| 2 | Inventory Valuation | 25 | 23 |
| 3 | Cost accounting | 45 | 40 |
| **TOTAL** | | **100** | **90** |

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## QUESTION 1 :BUDGETING[30 Marks]

### CASH BUDGET

Frank's Fruit and Vegetables Store is situated in, Kanana, Limpopo. This business sells fresh fruits and vegetables to both businesses and households Frank sells most of his fresh produce for cash, but he does permit some local restaurants and holiday lodges to purchase on credit and pay within 60 days.

REQUIRED

1.1 Complete the following for October and November 2022

1.1.1 Debtors Collection schedule. (8)

1.1.2 Cash Budget for October and November 2022 (22)

INFORMATION

A. Extract from the Cash Budget for September 2022

| | September 2022 |
|---|---|
| Receipts | |
| Cash Sales | 753 200 |
| Cash Receipts from Debtors | 295 056 |
| Total receipts | 1 048 256 |
| | |
| Payments | |
| Cash purchases of stock | 672 500 |
| Salary of store manager | 24 000 |
| Wages | 16 640 |
| Drawings | 86 080 |
| Sundry Expenses | 20 000 |
| Interest expenses(interest on loan) | 1 100 |
| Total Payments | 820 320 |
| Cash Surplus(Shortfall) | 227 936 |
| Bank: Opening Balance | 66 000 |
| Bank :Closing Balance | 293 936 |

**B. ADDITIONAL INFORMATION**

1. Total Sales (including forecasted sales) for the period July to November 2022

| | |
|---|---|
| July 2022 | 952 000 |
| August 2022 | 1 016 000 |
| September 2022 | 1 076 000 |
| October 2022 | 1 088 000 |
| November 2022 | 1 120 000 |

2. 70% of the total sales are for cash.

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3. Debtors pay according to the following trend:
    - 40% paid in the month of sale to receive a 5% discount.
    - 50% paid in the first month of sale following the month of sale.
    - 7% paid in the second month following the month of sale.
    - 3% irrecoverable and is written off in the third month following the month of sale.
4. The current mark-up, of 60%, will be maintained throughout the budget period.
5. Stock of fresh Fruit and Vegetables are purchased for cash from local farmers in order to maintain a fixed base level of stock on hand at all times.
6. Frank's Fruit and Vegetable Store increases the staff salaries on 1October each year.
   The business currently employs the following people:

| | |
|---|---|
| Store Manager | • 5% increase on 1 October 2022<br>• Frank, the owner is going on holiday in November 2022.The manager will therefore be paid an extra R6 000 for added responsibility during this time. |
| Shop Workers | • The two shop workers currently work 40 hours each per week at a rate of R52 per hour. Their hourly rate will increase by R3.60 from 1 October 2022.<br>• With the owner going on holiday in November 2022, each shop worker will need to work 15 hours overtime. Overtime is paid at1.5 times the rate of normal time. |

7. Sundry expenses are expected to be R20 000 in September and thereafter to increase by 2% per month from October 2022 onward.
8. The business currently has a loan at an interest rate of 5, 5% p.a. Frank plans to pay R24 000 of the capital amount of this loan on 31 October 2022.
9. An old delivery vehicle with a book value of R120 000, will be sold for cash at a profit of R30 000 during November 2022

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## QUESTION 2: INVENTORY VALUATION: [25 Marks]

2.1 Explain the difference between Perpetual and periodic inventory systems. (2)

2.2 MANDISA STORES

Mandisa Stores sells sport clothes. The periodic inventory system is in use and the mark-up on cost is 50% on all products.

**REQUIRED**

2.2.1 Calculate the cost of sales for the period ending 30 June 2021 (7)

2.2.2 Calculate the gross profit for the year (4)

2.2.3 Calculate the actual mark-up percentage achieved. (4)

2.2.4 State Two reasons why the business did not achieve the intended mark-up. (4)

2.2.5 The business regularly donates cash and trading stock to several charity organisations. How does the business benefit from making donations? Explain TWO ways (4)

**INFORMATION**

| Extracted from the General Ledger on 30 June 2021(end of the financial year | |
|---|---|
| Opening stock | 320 000 |
| Purchases for cash | 710 000 |
| Purchases on credit | 240 000 |
| Cash sales | 1 024 500 |
| Credit sales | 850 000 |
| Debtors allowances | 42 000 |
| Carriage on purchases | 162 000 |
| Custom duty | 56 000 |

**ADDITIONAL INFORMATION**

1. The following invoice received has not yet been recorded.

| INVOICE | |
|---|---|
| **To** : Mandisa Stores | **Supplier**: Vula Wholesalers |
| 30 treadmills | 35 300 |
| Less 10% trade discount | 3 530 |
| | 31 770 |
| Add transport costs | 1 800 |
| | 33 570 |

2. Donated a soccer kit to the local school, cost price, R2 900
3. A debtor returned goods which he had bought for R3 000(cost price R1 500)

4. According to the stock-taking done on 30 June 2021, there was stock on hand costing R210 000(after taking information 1,2 and 3 above into account)
5. After the stock-taking has been done, stock costing R3 400 were returned to the supplier. A debit note had been issued.
6. The owner remembered after the stock-taking has been done that she had taken stock of R 1400 for own use.

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## QUESTION 3: COST ACCOUNTING [45 Marks]

**3.1 Choose the correct term in the brackets. Write only the term next to the question number (3.1.1 to 3.1.5) in the answer book**

3.1.1 The salary of the factory manager is (direct/indirect) labour
3.1.2 Rent of the building is considered as a(fixed/variable) cost
3.1.3 Advertising is a/an (administration /selling and distribution ) cost
3.1.4 Direct material and direct labour is classified as( prime/secondary )costs
3.1.5 Carriage on raw materials purchased(decreases/increases) the cost of raw materials (5 )

**3.2 THE CLOTHING FACTORY SHOP**

- Ntina Matseke is the owner of the business which produces and sells ladies tracksuits. The information below was taken from their financial records for the year ending 28 February 2023

**REQUIRED**

**Complete the following ledger accounts. Close the ledger accounts properly at the end of the year on 28 February 2023.**

- Raw materials stock (09)
- Work-in-progress (09)
- Finished goods (6)
- Factory overheads (16)

INFORMATION

A.

| Balances | 28 February 2023 | 1 March 2022 |
|---|---|---|
| Raw materials stock | R251 000 | R164 800 |
| Work-in-progress | 445 450 | 223 700 |
| Finished goods | ? | 569 500 |
| Indirect materials | 7 300 | 9 800 |

B. Transaction for the financial year ended 29 February 2020

| | |
|---|---|
| Purchased on credit: Raw materials | 950 800 |
| Purchases: Indirect materials | 39 800 |
| Carriage on purchases of raw materials paid | 47 500 |
| Advertising | 29 500 |
| Rent expense | 130 000 |
| Depreciation: Factory equipment | 56 250 |
| Delivery vehicles | 49 500 |
| Sales (profit margin of 60%) | 4 071 208 |

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## C. Additional information

1. The bookkeeper forgot to record an invoice for raw material purchased,

   R300 000, 25% trade discount was received on this transaction

2. Two thirds (2/3) of the indirect materials were used in the factory

3. Salaries and wages

   - Salary of the factory foreman, R216 000
   - Summary of factory workers' earnings

| Deductions | | | Employer's contributions | Net wages |
|---|---|---|---|---|
| PAYE | UIF | Pension | | |
| R140 000 | R 9 600 | R78 800 | R97 856 | R844 600 |
| Total deductions= R228 400 | | | | |

   NOTE: Contributions are regarded as part of factory Wages costs.

   - Indirect wages
     Six casual workers clean the factory at R50 an hour. They each worked 192 hours normal time. Three of them worked 40 hours of overtime at the normal rate plus 50%

4. Rent expense includes rent for March 2023. There was no increase in the rent during the financial year. Rent is proportionally allocated to the various departments according to floor space occupied:

   - Factory 600 : $m^2$
   - Administration offices 250 : $m^2$
   - Sales department: 150 $m^2$

**TOTAL: 100 MARKS**

| GRADE 11 ACCOUNTING FINANCIAL INDICATOR FORMULA SHEET | | |
|---|---|---|
| $\frac{\text{Gross profit}}{\text{Sales}} \times \frac{100}{1}$ | $\frac{\text{Gross profit}}{\text{Cost of sales}} \times \frac{100}{1}$ | $\frac{\text{Net profit}}{\text{Sales}} \times \frac{100}{1}$ |
| $\frac{\text{Operating expenses}}{\text{Sales}} \times \frac{100}{1}$ | $\frac{\text{Operating profit}}{\text{Sales}} \times \frac{100}{1}$ | |
| $\frac{\text{Total earnings by partner}}{\text{Partner 's average equity}} \times \frac{100}{1}$ | $\frac{\text{Net profit}}{\text{Average partners' equity}} \times \frac{100}{1}$ | |
| Current assets : Current liabilities | (Current assets – Inventories) : Current liabilities | |
| (Trade and other receivables + Cash and cash equivalents) : Current liabilities | | |
| Non- current liabilities: Partners' equity | Total assets : Total liabilities | |
| $\frac{\text{Average debtors}}{\text{Credit sales}} \times \frac{365}{1}$ | $\frac{\text{Average creditors}}{\text{Credit purchases}} \times \frac{365}{1}$ | |
| $\frac{\text{Average inventories}}{\text{Cost of sales}} \times \frac{365 \text{ or } 12}{1}$ | $\frac{\text{Cost of sales}}{\text{Average inventories}}$ | |

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