GAUTENG PROVINCE
EDUCATION
REPUBLIC OF SOUTH AFRICA

GAUTENG DEPARTMENT OF EDUCATION

PROVINCIAL EXAMINATION

JUNE 2018

GRADE 11

ACCOUNTING

TIME: 3 hours

MARKS: 300

17 pages

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Question	Topic	Marks	Time in minutes
1	Bank Reconciliation	40	24 minutes
2	Creditors' Reconciliation	20	12 minutes
3	Asset Disposal	60	36 minutes
4	Partnership: Ledger accounts	50	30 minutes
5	Financial statements: Income Statement	75	45 minutes
6	Financial statements: Balance Sheet	55	33 minutes
Total		**300**	**180 minutes**

INSTRUCTIONS AND INFORMATION

Read the following instructions carefully and follow them precisely.

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. Non-programmable calculators may be used.
5. All answers must be written in blue ink

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

CONCEPTS, BANK RECONCILIATION AND INTERPRETATION

CONCEPTS

1.1 **Complete each of the following sentences.**

1.1.1 A cheque that is more than six months old will not be cashed by the bank because it is a … (1)

1.1.2 Permission granted to a third party to automatically receive monthly payments from the current account of a business is known as … (1)

1.1.3 A charge made by the bank against the account holder in order to operate the banking account is … (1)

1.1.4 An item shown as an 'unpaid' cheque on the Bank Statement will be regarded as a / an … (1)

1.1.5 A facility whereby the business can use more money than they have in their current banking account is a / an … (1)

1.2 **The information has been taken from the books of Buckam Dealers on 30 June 2018.**

REQUIRED:

1.2.1 Prepare the **Bank Account** by making entries that you may deem necessary directly in the Bank account. Your entries must reflect the name of the correct contra account. Balance the account properly on 30 June 2018. (18)

1.2.2 Prepare the Bank Reconciliation Statement on 30 June 2018. (9)

1.2.3 Refer to information No. 12 and answer the questions below.

(a) Why should the internal auditor be seriously concerned about the difference of R10 000? (4)

(b) What internal control methods, besides doing bank reconciliation, could the business implement to avoid this from happening again? Provide TWO methods. (4)

INFORMATION:

1. Balances on 30 June 2018:

   - The Bank account in the General Ledger showed an unfavourable **provisional balance** of R9 228.
   - Bank Statement balance?

2. The following items appeared in the Bank Reconciliation Statement on 31 May 2018:

Outstanding Deposit	12 390
Outstanding cheques:	
No. 397 (15 November 2017- issued as a donation)	420
No. 499 (20 June 2018 - issued to a creditor)	2 960
No. 503 (15 June 2018 - issued in payment of stationery)	5 648
Outstanding EFT	1 000

NOTES:

Cheque no. 499 and the outstanding EFT appear on the June Bank Statement.

3. B. Crain's cheque of R600 appeared as unpaid on the Bank Statement.

4. A deposit of R5 620 on 30 June 2018 does not appear on the Bank Statement.

5. A deposit of R2 190 for cash sales was entered in the CRJ as R2 910.

6. A debtor, I. Mocking, transferred R1 000 directly into the bank account of Buckam Traders in settlement of his account of R1 100.

7. The annual insurance premium in respect of the owner's personal assets was paid by means of a debit order, R1 440.

8. The following items have not been presented for payment to the bank:

   - Cheque no. 537 for R212 (dated 28 JUNE 2018)
   - Cheque no. 549 for R1 420 (dated 15 JULY 2017)

9. An EFT payment of R640 was made after the bank statement was printed.

10. Bank charges totalling R80 and interest on the debit balance amounting to R60 that appeared on the Bank Statement must be brought into account.

11. A cheque, number 538, for R5 820 issued in payment of trading stock was incorrectly recorded in the CPJ as R5 280.

12. In June 2018 the internal auditor noticed that the deposit of R12 390 for sales that appeared in the May 2018 Bank Reconciliation Statement appeared on the June 2018 Bank Statement as R2 390. It was found that there was no error from the bank's side in this regard.

QUESTION 2 **(20 marks; 12 minutes)**

CONCEPTS AND CREDITORS' RECONCILIATION

MATCHING:

Concepts relating to creditors are given in COLUMN A and descriptions in COLUMN B. Choose a description from COLUMN B that matches a concept in COLUMN A. Write only the letter (A – D) next to the question number (2.1.1 – 2.1.4) in the answer book.

2.1

	COLUMN A		COLUMN B
2.1.1	Debit note	**A**	A deduction from the amount due, given to the customers, who pay their account within the time allowed
2.1.2	Credit note	**B**	A percentage reduction from the pricelist of goods that a business may offer to some customers
2.1.3	Discount allowed	**C**	Document that will appear on the Creditors' statement to acknowledge that the faulty goods were accepted back by the supplier
2.1.4	Trade discount	**D**	Document sent by the business to the supplier when goods are returned or an allowance is requested

(4)

RAI TRADERS

A statement of account received from NA Stores on 25 JULY 2018 reflects that RAI Traders owes them R14 846. The Creditors' Ledger of the books of RAI Traders reflects an outstanding balance of R6 038.

REQUIRED:

2.2 Calculate the correct balance for RAI Traders in the Creditors' Ledger. (6)

2.3 Prepare a Creditors' Reconciliation Statement on 31 July 2018. (7)

2.4 Explain why the Creditors' control account balance should always be equal to the total of the Creditors' list. (2)

2.5 What is the purpose of preparing the Creditors' reconciliation? (1)

INFORMATION:

A. CREDITORS' LEDGER OF RAI TRADERS
NA STORES (CL 7)

Date		Details	Fol	Debit	Credit	Balance
2018 JUL	1	Account rendered				6 750
	3	Invoice No. 2640	CJ		8 500	15 250
	5	Cheque No.2013	CPJ	3 200		12 050
	5	Discount received	CPJ	320		11 730
	12	Invoice No. 4618	CJ		4 880	16 610
	15	Debit note 214	CAJ	740		15 870
	24	Invoice No. 4632	CJ		1 237	17 107
	27	Cheque 2368	CPJ	10 000		7 107
	27	Discount received	CPJ	1 069		6 038

B. Statement of account received from NA STORES

NA STORES
STATEMENT OF ACCOUNT

18 FAKE ROAD
ZAMALI
1511
ACCOUNT OF RAI Traders

Tel: 032 705 0961
Fax: 011 4125431
25 JULY 2018
ACCOUNT NO.: MRN 111

Date		Details	Debit	Credit	Balance
2018 JULY	1	Balance			6 750
	3	Invoice No. 2640	5 800		12 550
	7	Receipt No. 373		3 200	9 350
	12	Invoice No.4618	4 880		14 230
	15	Credit Note 261		690	13 540
		Invoice No.4632	1 237		14 777
	25	Interest on overdue account	69		14 846

ADDITIONAL INFORMATION:

On comparing the statement received from NA Stores with the account in the Creditors' Ledger the following were noted:

(a) RAI Stores have made the error in processing invoice 2640.

(b) NA Stores should have granted the 10% discount on 5 July 2018.

(c) Investigation showed that the amount reflected on 15 July 2018 with regards to goods returned by NA Stores is correct in the books of RAI Traders.

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

ASSET DISPOSAL

3.1 **Match the words / phrases in Column A with the best definition / explanation in Column B.** (5)

Column A		COLUMN B	
3.1.1	Tangible Asset	A	A possession that remains in the business for less than a year and is used to generate income
3.1.2	Disposal	B	When a business decides that the useful life of a tangible asset is over and they retire the asset by scrapping, selling or donating it
3.1.3	Historical cost	C	A control tool to record the details of each individual tangible asset in the business and its depreciation
3.1.4	Depreciation	D	A possession that remains in the business for more than one year and is used to generate income
3.1.5	Fixed Asset Register	E	Small amounts that have no real relevance may be omitted according to this GAAP principle
		F	The reduction in value of a tangible asset, generally from wear and tear
		G	The original price paid for an acquisition of a tangible asset must be recorded according to this GAAP principle

3.2 You are provided with information taken from the books of Westville Deliveries.

REQUIRED:

3.2.1 Calculate the depreciation on equipment for the year ended 31 December 2017. (8)

3.2.2 Complete the depreciation schedule on 1 July 2017 for the vehicle sold. (13)

3.2.3 Prepare the Asset Disposal account in the General Ledger on 1 July 2017. (8)

3.2.4 Complete the Fixed Asset Note to Financial Statements on 31 December 2017. (20)

3.3 The owner is concerned that internal control over 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 to solve this problem. (6)

INFORMATION:

1. Extract of a Pre-Adjustment Trial Balance of Westville Deliveries

List of balances on 31 December 2017

Land and Buildings	**820 000**
Vehicles	**1 340 000**
Equipment	**405 000**
Accumulated depreciation on vehicles	**530 000**
Accumulated depreciation on equipment	**120 000**

2. Land and buildings

On 31 August 2018, Excel Builders were paid R80 000 for the following:

- Repairs to the roof, R18 000
- Extension to the office block, R62 000

The full amount has been debited to Land and Buildings on 31 August 2018.

3. Equipment

New equipment, costing R55 000, was imported on 1 October 2017. The import duty of R5 000 was payable. No entries have been made.

No equipment has been sold during the year.

Equipment is depreciated at 20% p.a. using the cost price method.

4. Vehicles

One of the delivery vehicles was stolen from the premises on 1 July 2017. The insurance company paid out R40 000 below the carrying value.

The Fixed Asset Register page for this vehicle was incomplete. The following information was available:

Cost price: R160 000
Purchase date: 1 July 2015
Depreciation: 10 % p.a. using the diminishing balance method

This transaction was not recorded at all.

No new vehicles were bought during the year.

Vehicles are depreciated at 10% p.a. using the diminishing balance method.

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

PARTNERSHIPS

The following information was extracted from the accounting records of Highway Distributors, a partnership owned by B. Bembe and P. McCarthy.

INSTRUCTIONS:

Use the information given below to draw up the following:

4.1 Current Account: B Bembe for the year ending 28 February 2018. (13)

4.2 Appropriation account for the year ending 28 February 2018. (18)

Calculations (8)

4.3 Calculate the percentage return earned by McCarthy on his average equity.

Should he be satisfied? Motivate your answer. (11)

INFORMATION:

1. The following balances were extracted from the ledger of Highway Distributors:

	2018	2017
Capital: Bembe	R360 000	
Capital: McCarthy	R760 000	R680 000
Current Account: Bembe	R2 300 (Dr)	
Current Account: McCarthy	R12 300 (Dr)	R4 500 (Cr)
Drawings: Bembe	R25 000	
Drawings: McCarthy	R30 000	

2. Bembe took an old business vehicle with a book value of R45 000, for his personal use. The transaction was not recorded.

3. On 1 August 2017 Bembe increased his capital with R140 000.

4. The partnership agreement stipulates the following:

- Partners are entitled to interest at 12% p.a. on their capital investment.
- McCarthy's interest for the year is R23 200. Bembe's interest still needs to be calculated.
- On 1 January Bembe received a 10% increase on his monthly salary of R26 500.
- P McCarthy's salary for the year was R389 200.
- At the end of the financial period Bembe receives a bonus equal to 90% of his monthly salary at the beginning of the financial year.
- McCarthy's bonus for the year was R28 800.
- Partners share the remaining profits or losses in the ratio 2:1.
- McCarthy's portion of the final distribution amounted to R125 150.

5. The Income statement on 28 February 2018 showed a net profit of … ?

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

INCOME STATEMENT

5.1 Match the description in Column A with the term in Column B. Write only the correct letter next to the question number in your answer book. (5)

Column A		Column B	
5.1.1	The period of time chosen by a business for the calculation of its net profit, usually one year	A	Investing activities
5.1.2	Raising funds for the business either from the owner, or from lenders	B	Balance sheet
5.1.3	Investing the funds of the business with the intention of earning a profit	C	Financing activities
5.1.4	Reflects the financial position of the business	D	Solvency
5.1.5	The ability of a business to meet its total liabilities	E	Accounting period
		F	Liquidity

5.2 **Income Statement**

The following information is extracted from the books of JZ Stores. The business sells & repairs shoes.

The financial year ends on 28 February 2018.

REQUIRED:

Prepare the Income Statement for the year ended 28 February 2018. (70)

INFORMATION:

A Extract from the pre-adjustment trial balance on 28 February 2018

	DEBIT	CREDIT
Sales		2 436 000
Cost of sales	1 235 000	
Debtors' allowances	12 000	
Consumable stores on hand (Packing material) 1 March 2018	1 860	
Commission income		12 396
Insurance	4 260	
Bad debts	1 730	
Rent income		246 400
Discount allowed	2 340	
Bank charges	7 410	
Interest on current account		2 300
Sundry expenses	?	
Bad debts recovered		2 475
Salaries and wages	780 000	
Stationery	27 000	
Telephone	43 200	
Packing materials	12 100	
Discount received		1 775
Advertising	14 690	
Interest income		1 630
Water and electricity	76 090	

B Additional information and adjustments

1. According to a physical stocktaking the following was on hand on 28 February 2018:

   - Packing material, R1 800
   - Stationery, R700

   NOTE: THE REVERSAL OF PACKING MATERIAL ON 1 MARCH 2017 HAD NOT BEEN DONE.

2. Trading stock of R3 650 purchased on credit was posted to the stationery account. Correct the error.

3. Stock worth R5 000 was damaged due to a burst water pipe. A claim was lodged with the insurance company. They agreed to cover 70% of the loss. The cheque from the company has not yet been received.

4. Commission of R1 170 is owed to JZ Stores. This has not been received.

5. The tenant has already paid the rent for March 2018. The rent was increased by R1 200 per month with effect from 1 October 2017.

6. The cheque of a debtor, M Slip, was returned by the bank because of insufficient funds. The value of the cheque was R3 300. He was allowed a discount of R150.

   No entries were made for the R/D cheque and the cancellation of the discount.

7. M Goodman, a debtor, was declared insolvent on 25 February 2018. His estate paid R780, a dividend of 40 cents in the rand. The balance of his account must be written off. No entries were made.

8. Provision for bad debts must be increased by R163.

9. A creditor, Roberts Distributors, charged JZ Stores' overdue account of R10 400 with 12% interest per month for three months.

10. The telephone account of R2 800 is still due.

11. An insurance premium of R1 320 was paid and recorded on 1 May 2017. This policy expires on 30 April 2018.

12. An employee's salary was not processed on 28 February 2018. Her gross salary amounted to R27 400.

Deduction on employee's salary		**Business contribution**	
PAYE	R6 850		
Medical aid	R1 800	Medical aid	75% of employee contribution
Pension fund	5% of gross salary	Pension fund	Rand-to-rand basis
UIF	1% of gross salary	UIF	1% of gross salary
		SDL	1% of gross salary

All expenses relating to salaries are recorded in the salaries and wages account.

13. Depreciation for the year amounted to R46 920.

14. The loan statement from ABSA on 28 February 2018 reflected the following:

Balance on 1 March 2017	R948 000
Total payments during the year	R423 000
Interest capitalised	?
Balance on 28 February 2018	R600 000

15. Operating profit on sales is 15%.

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

BALANCE SHEET

REQUIRED:

6.1 Name THREE parties interested in the results on the financial statements.

Provide a reason in EACH case. (6)

6.2 The following information is extracted from the records of Stark Enterprises. Their financial year ends on 28 February 2018.

6.2.1 Complete the Balance Sheet on 28 February 2018. Show all workings in brackets to earn part marks. (40)

6.2.2 Calculate the following ratios and comment of the liquidity of the business.

(a) Current Ratio (3)

(b) Acid-test ratio (4)

(c) Comment (2)

INFORMATION:

A Extract from the Post-adjustment Trial Balance on 28 February 2018

	DEBIT	CREDIT
Mortgage loan: Gothem Bank (1 March 2017)		350 000
Land and buildings at cost	780 000	
Equipment at carrying value	78 000	
Vehicles at carrying value	98 000	
Trading stock	32 000	
Debtors' control	48 000	
Provision for bad debts		2 300
Creditors' control		45 000
Bank overdraft		?
Petty cash	1 200	
Fixed deposit: Elshen Bank	690 000	
Pension fund		4 500
SARS: PAYE		12 300
Consumable stores on hand	1 700	
Accrued income	16 000	
Accrued expenses		5 400
Prepaid expenses	4 000	
Income received in advance		3 300

B Additional information

1. A portion of the fixed deposit will mature on 31 May 2018.
2. A debtor's debit balance of R2 000 in the Debtors' ledger must still be transferred to his account in the Creditors' ledger.
3. Post-dated cheques payable in the next financial year were issued to creditors for R32 000.
4. An invoice for the extension of the building, R800 000, still needs to be recorded.
5. The following relates to the mortgage loan from Gothem Bank:

Loan Statement from Gothem Bank on 28 February 2018	
Interest capitalised by the bank	R15 000
Repayments during the year (including interest)	R78 000
Capital repayment will be the same in the next financial year	?

TOTAL: 300

END