Education and Sport Development
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NORTH WEST PROVINCE

PROVINCIAL ASSESSMENT

GRADE 11

ACCOUNTING

JUNE 2018

MARKS: 300

TIME: 3 Hours

This question paper consists of 15pages

Demo

INSTRUCTIONS AND INFORMATION

Read the following instructions carefully and follow them precisely.

1. Answer all questions.
2. A special **ANSWER BOOK** is provided in which to answer ALL questions.
3. Workings must be shown in order to earn part-marks.
4. Non-programmable calculator may be used.
5. You may use a dark pencil or blue / black ink to answer the questions.
6. Use the information given in the table as a guide when answering the question paper. Try **NOT** to deviate from it.

QUESTION 1 :30marks ;15minutes	
The main topic of the question is:	**This question integrates** :
Bank Reconciliations Internal control and ethics	**Financial Accounting** Bank Reconciliation **Managing Resources** Internal control and Ethics
QUESTION 2 : 35 marks ; 20 minutes	
The main topic of the questions are :	**The question integrates**:
Creditors Reconciliations Internal control and ethics	**Financial Accounting:** GAAP Creditors Reconciliation **Managing Resources** Internal control and Ethics
QUESTION 3 : 35 marks ; 20 minutes	
The main topic of the questions is :	**This question integrates :**
Fixed Assets	**Managing Resources** Ledger Accounts Tangible Asset Notes
QUESTION 4 : 70 marks ; 45 minutes	
The main topic of the question is :	**This question integrates :**
Partnership	**Financial Accounting** Ledger accounts Analysis and interpretation
QUESTION 5 : 70 marks ; 45 minutes	
The main topic of the question:	This question integrates :
Non-profit organisation	**Financial accounting** Clubs – ledger accounts
QUESTION 6 : 60 marks ; 35 minutes	
The main topic of the question:	**This question integrates :**
Transaction analysis	**Financial accounting** Accounting Equation Problem solving

QUESTION 1:

Bank Reconciliation and Internal control (30 marks;15 minutes)

1.1 What is the purpose of bank reconciliation? (2)

1.2 Indicate whether the following statements are TRUE or FALSE

1.2.1 Service fees and interest on overdraft will be debited to bank charges (1)

1.2.2 If the bank balance is classified as a Current Liability in the Balance Sheet, it has a favourable balance. (1)

1.2.3 To cancel a cheque entered in this month's CPJ, you enter it in CRJ. (1)

1.2.4 If the business has online banking facility it can transfer money to creditors and employees without using cheque vouchers. (1)

1.3 The following information relates to Galo Traders.

Required:

1.3.1 Calculate the correct totals in the Cash Receipts Journal (CRJ) and the Cash Payment Journal (CPJ) for March 2018. (14)

1.3.2 Prepare the Bank Reconciliation Statement on the 31 March 2019 (10)

Information:

1. Extract of the Bank Reconciliation Statement on the 29February 2018.

Debit balance according to bank statement	44 800
Credit outstanding deposit	20 400
Debit outstanding cheques	
• No. 44	6 800
• No. 80	2 840
• No. 81	12 800
• No. 83 (dated April 2018)	7 420
Balance according to bank account	?

Galo traders has a current bank account with Ned Bank.

Provisional totals of the bank columns in the Cash Journals on 31 March 2018	
Cash Receipts Journal	62 800
Cash Payments journal	109 600

A comparison of the bank statement with the Bank Reconciliation Statement on 29 February 2018 shows the following:	
	The deposit of R20 400 appears on the bank statement
	Cheque no. 81 for R12 800 was presented for payment
	Cheque no 44 was issued on 15 September 2018 to the Health Organisation as a donation. The organisation has been disbanded and the cheque must be cancelled.
	Cheque no. 80 issued to Romba Distributors for packing materials appears on the bank statement as R 8 240. The amount in the bank statement is correct.

A comparison of the Salary Journal with the bank statement shows the following as outstanding:

Employees	Gross salary	Net salary	Cheques issued
T Tobias	28 200	19 600	94
D Dalom	32 400	20 200	95

A comparison of the Cash Journals with the bank statement shows the following differences.

- The following appears in the cash journals but not on the bank statement
  - Deposit R16 200
  - Cheque no. 88, R17 800 (dated 15 April2018)
- The Cash Payment Journal reflects a total of R61 400 for cheques issued in respect of salaries.
- Cheque no. 87 issued to Doty for the monthly telephone account appears in the Cash Payment Journal as R6 560. The amount on the bank statement is R6 480. The amount on the bank statement is correct.
- Cheque 85 for R1 680 issued to Crail Service Centre for fuel was lost in the mail. The cheque must be replaced with cheque no 90. This cheque is still outstanding.
- An EFT deposit of R70 000 was made directly into the current account of the business by the owner on 15 March 2018.
- A stop order for the monthly repayment of a loan with Ned bank for R4 000 appears on the bank statement but not in the journal.
- An unpaid cheque for R840 received in settlement of an account of R900; appears on the bank statement. The cheque was received from a debtor, B Lesola
- A deposit of R16 600 for rent was made directly into the current account of the business by the tenant, L Lucky.
- Ned bank debited the bank account of Galo Traders with the following amount:
  - Interest on debit balance, R186
  - Bank charges, R760

The bank statement shows a favourable balance of R34 734 on 31 March 2018.

QUESTION 2 CREDITORS RECONCILIATION AND INTERNAL CONTROL

(35 marks; 20 minutes)

2.1 Why must the balance of the Creditors' Control Account in the General Ledger be the same as the total of the Creditors List in the Creditors Ledger? (2)

THE CREDITORS' CONTROL ACCOUNT AND THE CREDITORS LIST

The bookkeeper of Amie's Stores made some mistakes and omitted certain transactions in preparing the Creditors' Control and the Creditors List on 30 June 2017. You are the internal auditor of the store.

Required:

2.2 Calculate the correct balance of the Creditors' Control Account in the General Ledger. If no entry is applicable, write 'NO ENTRY' (12)

2.3 Prepare the correct Creditors' List of balance on 30 June 2017. (11)

INFORMATION:

Pre-adjustment figures on 30 June 2016

Creditors Control Account balance		307 600
Creditors' List total from the Credtors' Ledger		337 800
• Flora Traders	58 400	
• Tag Wholesalers	191 200	
• Rush Stores	88 200	

ERRORS AND OMISSIONS

A. A payment of R84 000 to Rush Stores was correctly recorded in the Cash Payments Journal but bookkeeper neglected to post this payment to the creditor's account.
B. The total of the Creditors' Journal was inaccurately added as R102 300 instead of R122 500
C. Credit purchases of merchandise to the value of R46 600 from Tag Wholesalers were wrongly entered as R64 600
D. A cheque for R4 000 issued to Flora Traders in settlement of their debt of R4 400
E. The total of the Creditors Allowance Journal was under cast by R22 000
F. A credit balance of R880 from Rush Stores' account tin the Debtors' Ledger must be transferred to their account in the Creditors' Ledger.
G. Credit purchases of merchandise to the value of R26 000, from Flora Traders was incorrectly debited in the Creditors' Ledger.

2.4 **Problem solving and internal control:**

You are the manager of Quick Fix Bicycles; you have just received a statement from Bonds Traders, a creditor. After carefully going through the statement, two transactions were fishy. The salesman bought goods on credit from Bonds Traders for his personal. Secondly when he made payment for merchandise bought for cash he deliberately overstated the cheque amount so that a refund can be paid to him personally. He thought the manager will never detect the transactions.

2.4.1 Quick has asked you to comment on the internal control system he has in place. Are they adequate? Give Two points. (5)

2.4.2 Is the salesman incompetent or guilty of fraud? What action could be taken against him in either case? Name two. (5)

QUESTION 3: FIXED ASSETS (35 marks; 20 minutes)

3.1 GAAP (5)

Match the following GAAP concepts in Column A with the correct explanations given in Column B. Write down only the letter corresponding to your choice next to the question number (3.1.1-3.1.5) in your answer book, e.g. 3.1.1 B.

Column A		Column B	
3.1.1.	Prudence	A	The financial affairs of a business must be kept separate from the personal financial affairs of the owner.
3.1.2.	Historical cost	B	This concept is based on the brief that the business will continue to operate in the future.
3.1.3.	Business entity	C	Income earned and expenses incurred must be reported in the same financial period so that the correct net profit is calculated.
3.1.4.	Matching	D	Financial statements must disclose items that are important to the users / readers so that correct evaluations and decisions can be made from the information provided.
2.1.5.	Going concern	E	Land and building are reflected at a cost price of R900 000 in the financial statement although the market price of is R2 000 000
		F	All possible losses are recorded in the Income Statement, but anticipated profits are not reported until they are realised.

3.2 FIXED ASSET

The following incomplete Fixed Asset Note appears in the financial statement of Hifi-Co-operation as at 28 February 2018.

REQUIRED:

3.2.1 Draw up the Asset Disposal account to record the sale of equipment. (8)

3.2.2 Complete the Fixed Asset note to the financial statement, as it appears in your answer book. (22)

List of balances from the Pre adjustment trial balance

Equipment (1 March 2017)	280 000
Accumulated depreciation(1 March 2017)	70 000
Vehicle (1 March 2017)	450 000
Accumulated Depreciation (1 March 2017)	?

Additional Information:
During the year an invoice was received from Mias Warehouse for the following:

- A new store room built R120 000
- Repairs 12 000

The full amount has been debited to repairs.

- Vehicle are depreciated by 15% p.a. on cost
- A new vehicle was bought on credit for R300 000 on 1 November 2017. The owner also paid to have a sound system installed costing R20 000 and paid for the licence of R480.
- Equipment is depreciated by 20% p.a. on the diminishing balance method.
- On 31 August 2017 equipment that was bought on the 1 March 2015 for R160 000and accumulated depreciation on 1 March 2016 R57 600 was traded in against new equipment which cost R240 000 at a loss of R12 160.

QUESTION 4: PARTNERSHIPS (70 marks; 45 minutes)

4.1. Financial Statements

You are provided with information relating to Golden Poppy Traders, a Partnership business.

Required:

4.1.1. Prepare the Income statement for the year ended 30 June 2017. (53)

4.1.2. Compile the note to **Trade and other payables**. (17)

Information:

1. **Extract of the Pre-adjustment Trail Balance on 30 June 2017**

Balance sheet section accounts	**Debit**	**Credit**
Land and building	450 000	
Equipment	115 000	
Vehicles	250 000	
Accumulated depreciation on Equipment		75 000
Accumulated depreciation on Vehicles		90 000
Fixed deposit at 6% p.a.	50 000	
Mortgage loan at 12% p.a.		250 000
Debtors control	80 200	
Provision for bad debts		4 450
Trading stock	123 300	
Creditors control		145 400
SARS : PAYE		7 450
Pension fund		4 100
Nominal section accounts		
Sales		1 193 000
Cost of sales	668 000	
Debtors allowance	24 000	
Rent income		40 800
Discount received		4 660
Salaries and wages (including contributions)	152 300	
Insurance	23 370	
Packing materials	12 990	
Repairs and maintenance	10 320	
Water and electricity	18 240	
Interest on fixed deposit		3 000
Interest on loan	27 000	
Bad debts	3 570	
Sundry expenses	16 200	

Information and Adjustments

1. A credit notewas left out of the relevant journals on 29 June 2017 . The original selling price of the goods was R4 000 subjected to a 10% trade discount. The cost price of the goods amounted to R2 055

2. According to stocktaking on 30 June 2017, the following are on hand :
   - Trading stock R119 600
   - Packing materials R1 915

3. Write off a further R1 200 as bad debts and adjust the provision for bad debts to R4 380.

4. Included in insurance is an amount of R1 300 paid for July 2017.

5. The water and electricity account for June 2017 has not been paid, R1 490.

6. The rent was received up to 31 July 2017. The rent was increased by R360 on 1 March 2017.

7. The bookkeeper forgot to process the June salary of a new employee. The details are as follows :
   - Gross salary R2 700
   - PAYE 20% of the Gross salary
   - Pension fund R215

   The business contributes R1.50 for every R1 contributed by the employees to the Pension fund. The net salary will be paid to the employee on 1 July 2017.

8. Provide for the outstanding interest on loan
   Note: A repayment of R50 000 was made and recorded on 31 March 2017. A repayment of R45 000 is scheduled for 31 March 2018

9. Make provision for depreciation as follows :
   Equipment R 11 500
   Vehicles R 22 500

QUESTION 5: PARTNERSHIPS

Leger Accounts and Analysis and interpretation of Financial Statement (70 marks; 45minutes)

Ledger accounts

The following information appeared in the books of Big Brothers Trading, a partnership with partners: G Big and R Brother, on 28 February 2018

Required:

5.1 Prepare the Appropriation account on 28 February 2018. (17)

Information:

Capital : G Big	R900 000
Capital : R Brother	R600 000
Current account : G Big (1 March 2017)	R19 230 DR
Current account : R Brother (1 March 2017)	R8 720 CR
Drawings : G Big	R300 000
Drawings R Brother	R310 000

1. The net profit for the year amounted to R540 000.

2. The following changes to the partners' capitals took place during the year. These changes were properly recorded.

    - G Big transferred his new personal motor vehicle, valued at R350 000 to the business on 30 November 2017 as his additional capital contribution.

    - R Brother decreased his capital by R100 000 on 28 February 2018.

According to the partnership agreement the net profit (see no 2) should be divided as follows:

- Partners salaries: G Big earns R10 000 per month. R Brother earns 15% more than G Big. The salaries are paid monthly and are debited to their respective Drawings accounts.

- Interest on capital must be provided at 12% p.a.

- Remaining profits and losses must be shared in proportion to their capital account balances at the end ofthe financial year.

5.2 Analysis and interpretation of financial information

You are provided with the information extracted from the accounting records of Pattel Pea Stores for the year ended 31 August 2018. The business is owned by two partners Aaron and Razak. All goods are marked at cost plus 75%.

5.2.1 Calculate the following for 2018.

5.2.1.1. Acid test ratio (4)

5.2.1.2. Stock turnover rate (5)

5.2.1.3. Debt/equity ratio (4)

5.2.1.4. Percentage return earned by Aaron (6)

5.2.2 Should the partners be satisfied with the profitability of the business? Briefly explain, quoting three relevant financial indicators, trend and the figures to support your answer. (9)

5.2.3 Aaron and Razak are uncertain about the liquidity position of the business. They ask you for your opinion. Comment on the Liquidity position of the business by quoting three relevant financial indicators, trend and figures to support your opinion. (12)

5.2.4. Should Razak be satisfied with the return he is earning in the business. Quote a relevant financial indicator, trend and figures in your explanation. (5)

5.2.5 The business wants to expand in the next financial year and needs additional capital. The partners have decided to take out an additional loan of R400 000 instead of introducing more capital. Explain by quoting two financial indicators, trend and figures to justify your answer. (8)

Information

Extract from the Income Statement for the year ended 31 August 2018.

Sales	R3 296 000
Cost of sales	R2 060 000

Extract from the Appropriation account prepared on 31 August 2018.

	Aaron	Razak
Interest on capital	60 000	86 250
Salaries	150 000	132 000
Share of profits	34 600	69 200
	244 600	287 450

Extract of the balance sheet as at August

	2018	2017
Fixed assets	760 000	810 000
Investment :fixed deposit at 6% p.a.	250 000	200 000
Current assets	378 200	286 000
Total assets	1 388 200	1 296 000
Partner equity	988 200	300 000
Capital account : Aaron	500 000	600 000
Capital account : Razak	500 000	4 000
Current account : Aaron	42 400	8 000
Current account : Razak	30 600	
Non- current liabilities at 10%p.a.	220 000	250 000
Current liabilities	180 000	150 000
Total equity and liabilities	1 388 000	1 296 000
Trading stock(included in current assets)	176 000	156 000

Financial indicators

	2018	2017
Mark-up percentage achieved	60%	63%
Operating expenses on sales	21%	18%
Net profit on sales	16,1%	19,2%
Current ratio	2,1 : 1	1,9 :
Acid test ratio	?	0,9 :1
Stock turnover rate	?	10 times
Debtors collection period	38 days	45 days
Debt/equity ratio	?	0,3 :1
Return on total capital employed	47,1%	45,8%
Percentage return earned by Aaron	?	59,8%
Percentage return earned by Razak	51,2%	53,4%

QUESTION 6: CLUBS (60 marks; 35 minutes)

The following information was taken from the accounting records of Mubs Football Club on 31 December 2018, the last day of the financial year.

Required:

6.1 Use the **relevant** information to prepare the Statement of Receipts and Payments for the year ended 31 December 2018 (27)

6.2 Answer the questions which follow. (33)

Information:

The following information was taken from the ledger on 31 December 2018

Cash at bank (01:01:20.18) (Favourable)	R 43 730
Membership fees received during the year:	
2017	5 000
2018	80 000
2019	8 000
Entrance fees received	50 000
Bank charges	2 360
Cash donations received	3 670
Cash sales of annual dance tickets	34 500
Annual dance expenses paid by cheque	13 200
Creditors paid by cheque	2 400
Computer received as a donation	3 490
Equipment purchased but not yet paid for	49 900
Payment for hire of tennis courts	6 000
Honorarium paid to secretary	6 700
Interest on fixed deposit received from bank	1 000
Municipal grant received	40 000
Refreshments purchased for cash	25 900
Refreshment donated to charity	1 200
Rent paid	12 000
Telephone charges paid by cheque	8 970
Repairs and maintenance paid by cheque	5 210
Repayment of loan by cheque	14 000
Cash sale of old tennis balls	280
Sale of refreshment for cash	32 800
Stationery purchased for cash	4 440
Tennis balls purchased for cash	2 300
Tennis balls purchased on credit	1 400
Wages paid	64 900

Note:

- Some members sold tickets for the dance but they have not yethanded over the money to the treasurer of the club. The total amount outstanding is R3 560.
- The value of refreshment on hand on 31 December 2018 amounted to R3 000 according to the stock-take. On 1 January 2018 refreshment on hand amounted to R2 200.

6.2

6.2.1 Calculate the profit made on:

(a) The annual dance (4)
(b) Refreshments (6)

6.2.2 Refer to the information above. Identify 4 items which would not be recorded in the statement of Receipts and Payment (4)

6.2.3 Some senior members of the club are of the opinion that the club should discontinue having the annual dance in the future as it is too rowdy' and it 'attract the wrong people'. The club management requested you to present them with a report on this issue. Your report of three valid points must contain, amongst others, the financial benefits of having the dance and also how you would intend addressing the concerns of the senior members. (6)

6.2.4 The membership fee is R1 00 per member per annum while the entrance fee payable by new members is R5 000 per member. Calculate the following:

(a) How many new members joined the club in 2018? (3)
(b) How many members paid their 2017 fees during 2018? (2)
(c) How many members paid their 2018 fees during 2018? (2)
(d) How many members paid their 2019 fees during 2018? (2)

6.2.5 Would club members be satisfied with the cash position of their club? Give two reasons for your answer. (4)

TOTAL: 300