

**PHOENIX CIRCUIT ACCOUNTING SOCIETY (PCAS)**  
**HELPING ACCOUNTING EDUCATORS EXCEL**

**GRADE 11**

**ACCOUNTING PAPER 2**

**NOVEMBER 2019**

**MARKS: 150**

**TIME: 2 hours**

**This question paper consists of 13 pages, a 1-page formula sheet and a 12-page answer book.**

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

<b>QUESTION 1: 35 marks; 28 minutes</b>	
<b>Topic of the question:</b>	<b>This question integrates:</b>
Reconciliations and VAT	Concepts and calculations Bank Reconciliation Creditors' Reconciliation Internal control

<b>QUESTION 2: 45 marks; 36 minutes</b>	
<b>Topic of the question:</b>	<b>This question integrates:</b>
Manufacturing	Concepts Ledger Accounts Interpretation of unit costs

<b>QUESTION 3: 40 marks; 32 minutes</b>	
<b>Topic of the question:</b>	<b>This question integrates:</b>
Budgets	Concepts Creditors' Payment Schedule Cash Budget Internal control

<b>QUESTION 4: 30 marks; 24 minutes</b>	
<b>Topic of the question:</b>	<b>This question integrates:</b>
Control of working capital and Periodic Inventory system	Analysis and interpretation of cash, stock, debtors and creditors Calculations

**QUESTION 1: RECONCILIATIONS AND VAT****(35 marks; 28 minutes)****1.1. BANK RECONCILIATION**

The incomplete Bank Reconciliation Statement of Bazinga Traders for the month end of October 2019 is provided. Use the information and answer the following questions.

**REQUIRED :**

- 1.1.1 **Refer to Additional Information A:**  
How should cheque no. 1006 be treated? Explain your answer. (3)
- 1.1.2 Provide a reason why cheque no. 1105 appears on the Bank Reconciliation Statement. (1)
- 1.1.3 Identify whether the balance as per bank statement is **favourable** or **unfavourable**. (1)
- 1.1.4 Prepare the **corrected** Bank Reconciliation Statement on 31 October 2019. (7)
- 
- 1.1.5 It is evident that cash is not being controlled well in the business.  
Identify **TWO** problems and give advice on how these problems can be avoided in the future. Provide figures to support your answer. (6)

**INFORMATION :**

- A. Cheque no. 1006 issued on 10 April 2019 has been handled incorrectly.
- B. The outstanding deposit of R 19 000 is in respect of cash received from a debtor. This did not appear on the bank statement. The cashier in charge of deposits stated that she was robbed on the way to the bank. The owner authorised that this amount be written off as the business will not recover the money.
- C. A debit order of R 1 300 for monthly insurance appeared twice on the Bank Statement for October 2019. The bank will rectify this on the Bank Statement next month.

D.

<b>Bazinga Traders</b>		
<b>Bank Reconciliation Statement on 31 October 2019</b>		
Debit balance as per bank statement		16 500
Outstanding deposits	Dated 5 October 2019	19 000
	Dated 21 October 2019	20 100
Outstanding cheques	No.1006 (dated 10 April 2019)	5 100
	No.1098 (dated 29 October 2019)	9 900
	No. 1105 (dated 5 December 2019)	4 700

### 1.2. CREDITORS' RECONCILIATION

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

#### 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 column and indicate the increase or decrease with a (+) or (-) with each amount.

Total the columns to show the correct balances at the end of November 2019. (8)

#### INFORMATION :

Balance of Galaxy Suppliers in the Creditors' Ledger of Mars Traders	R 11 605
Balance on the statement received from Galaxy Traders	R 20 120

**A comparison between the Creditors' Ledger Account of Galaxy Traders and the statement of account showed the following differences:**

- A. A discount of R 165 for early payment was correctly recorded by Mars Traders. This was not reflected on the statement.
- B. An invoice for R 2 150 received from Galaxy Suppliers was incorrectly recorded as a debit note in the creditors' ledger.

- C. The statement of account reflects returns valued at R 8 700. The Creditors' Ledger Account showed R 7 800. It was established that Mars Traders miscalculated the value of goods returned.
- D. The statement of account showed an invoice for goods purchased, R 1950. This was for goods purchased by Mars Distributors.
- E. A payment of R 3 000 made on the 29 November 2019 appeared only in the Creditors' Ledger. The statement of account was dated 25 November 2019.

### 1.3. VAT

Cape Traders is a VAT registered business. All items subject to VAT at 15%.

#### REQUIRED :

- 1.3.1 Calculate the amount of VAT either Receivable from or Payable to SARS on 31 August 2019. Indicate whether this amount is **Receivable** or **Payable**. (7)
- 1.3.2 The owner has told the accountant to change the bad debts from R 800 to R 8 000. Give **ONE** reason why you disagree with him. (2)

#### INFORMATION :

The following transactions relate to Cape Traders for the VAT period ended 31 August 2019.

<b>A</b>	Balance owing by SARS on 1 August 2019	34 800
<b>B</b>	Purchases of Trading stock (Vat exclusive)	1 925 000
<b>C</b>	Cash and credit sales (Vat inclusive)	2 649 600
<b>D</b>	Vat on discount received from suppliers	1 400
<b>E</b>	Vat on bad debts written off	800

**QUESTION 2: MANUFACTURING****(45 marks; 36 minutes)****2.1 CONCEPTS**

Indicate whether the following statements are **TRUE** or **FALSE**. Write only 'True' or 'False' next to the question number (2.1.1 to 2.1.3) in the **ANSWER BOOK**.

2.1.1 Commission on sales will be classified as an administrative cost.

2.1.2 Advertising is part of factory overhead costs.

2.1.3 Carriage on raw materials purchased increases the cost of raw materials issued for production. (3)

**2.2 ASH'S CRYSTAL CREATIONS**

You are provided with information relating to Ash's Crystal Creations for the year ended 31 December 2018. The business manufactures crystal ornaments and glassware and uses a mark-up of 60% on cost.

**REQUIRED:**

2.2.1 Calculate the:

- Direct Labour Cost (9)
- Factory Overhead Cost (13)

2.2.2 Prepare the following accounts in the general ledger:

- Work in progress stock (5)
- Finished goods stock (4)

**INFORMATION:**

A. Balances in the stock accounts:

	31 December 2018	1 January 2018
Raw materials stock		
Work-in-progress stock	?	R160 000
Finished goods stock	R95 000	R110 000
Indirect factory materials	R15 100	R13 200

B. Employees in the production process:

Number of employees	14 employees
Basic <b>monthly</b> salary of each employee	R7 000
Total overtime hours <b>per employee</b> for the year	144 hours
Overtime rate per hour	R65

**Employment benefits:**

- All employees in the production process work the same number of overtime hours.
  - UIF deductions from the basic salary are 1%. The employer contributes an additional 1% of the basic salary to UIF.
- C. The factory foreman is entitled to an annual salary of R156 000 (including UIF and pension benefits)
- D. Accounts appearing in the General ledger on 31 December 2018:

Water and electricity	R104 000
Rent expense	R115 200
Insurance	R71 400

- 10% of the water and electricity was used in the administration offices. The factory used the rest.
- Rent is divided between the different departments according to floor space:

	Total	Factory	Administrative	Sales & Distribution
Floor space	1 500 m <sup>2</sup>	600 m <sup>2</sup>	400 m <sup>2</sup>	500 m <sup>2</sup>

- Insurance of R2 800 is still outstanding for December 2019. Insurance is divided in a ratio of 3 : 2 : 2 between the factory, administration and sales & distribution departments.
- E. Indirect materials of R38 400 were bought for the factory during the financial year.
- F. The following figures were calculated for the financial year:
- Depreciation on factory equipment, R277 220
  - Direct (raw) materials issued for manufacturing, R2 100 000.
- G. Sales for the current year amounted to R6 200 000.

### 2.3 MAGOGO'S MAGWINYAS

Magogo's Magwinyas produces and sells delicious magwinyas (doughnuts) to the community. The sole owner is Mama Gogo. The financial year-end is 31 October.

#### REQUIRED:

- 2.3.1 Calculate the break-even point for the year ended 31 October 2019. (4)
- 2.3.2 Should the business be satisfied with the number of units that they produced and sold during the current financial year? Explain, quoting figures. (3)
- 2.3.3 Mama Gogo is concerned about the high cost of producing the magwinyas. She suggested buying used oil at a cheap price from the takeaway down the road which she will use to fry her magwinyas. But she instructed her employees to keep the selling price unchanged. Give TWO points of advice to Mama Gogo why she should not do this. (4)

#### INFORMATION:

The following information was taken from the accounting records:

	31 October 2019		31 October 2018	
	Total	Per unit	Total	Per unit
Sales	R1 792 000	R28,00	R1 794 000	R23,00
Variable costs	R1 024 000	R16,00	R 975 000	R12,50
Fixed costs	R 736 000	R11,50	R 630 000	R 8,08
Break-even point	?		60 000 units	
Number of units produced and sold	64 000 units		78 000 units	



**QUESTION 3: CASH BUDGET****(40 marks; 32 minutes)**

You are provided with an incomplete Cash Budget of Urban Queen Traders for the period 1 October 2019 to 30 November 2019. The business is owned by Z. Ndlovu.

**REQUIRED:**

- 3.1 Identify **TWO** items entered incorrectly in the Cash Budget. Refer to information F. (2)
- 3.2 Complete the Creditors Payment Schedule. (10)
- 3.3 Identify/Calculate the missing figures A to G. (20)
- 3.4 The sales assistants are unhappy with the increase they received. Provide **ONE** possible reason to justify their dissatisfaction. (2)
- 3.5 On 31 September 2019, Z. Ndlovu identified the figures below. Comment on the control of each item and give **ONE** point of advice in each case. (6)

September 2019	Budgeted	Actual	Variance
Stationery	1 000	2 500	-1 500
Staff training	3 000	900	+2 100

**INFORMATION****A. Sales and purchases of stock**

- Total sales

	Actual	Budgeted
August	150 000	
September	165 000	
October		180 000
November		210 000

- 60% of the total sales are for cash.
- The mark-up is 50% on cost.
- The business maintains a fixed-base stock by replacing stock on a monthly basis.
- 40% of all purchases are on credit.

**B. Creditors payment**

It is expected that creditors will be paid as follows:

- 60% in the month of purchase to receive a 5% discount
- 25% in the month after purchase
- 15% in the second month after purchase

**C. Salaries and wages**

- The business has five sales assistants. One sales assistant will be resigning at the end of October 2019. The remaining assistants will receive a 4% increase in their salary on 1 November 2019.

**D. Insurance**

- The insurance premium is paid at the end of each month. The monthly premium will increase by 10 % on 1 November 2019.

**E. Purchase of delivery vehicle**

- Z. Ndlovu intends on purchasing a delivery vehicle on 1 October 2019. She will have to pay a 10 % deposit in October 2019.
- Her father has agreed to provide interest-free finance for the balance of the cost. She will have to repay her father R 5 500 per month over 36 months. The first instalment will be paid in November 2019.

**F. Extract from the Cash Budget for October and November 2019**

	OCTOBER	NOVEMBER
<b>RECEIPTS</b>		
Cash sales	55 000	A
Collection from debtors	82 600	92 550
Commission income	7 800	7 800
Rent income	8 000	8 250
<b>PAYMENTS</b>		
Cash purchase of stock	B	84 000
Payments to creditors	44 360	
Salary : manager	20 000	25 000
Salaries : sales assistants	30 000	C
Insurance	D	3 300
Stationery	1 000	1 000
Telephone	1 500	1 500
Trading stock deficit	1 000	1 000
Staff training	3 000	3 000
Advertising	2 200	2 200
Depreciation	7 500	7 500
Delivery vehicle : deposit	E	-
Delivery vehicle : instalment	-	5 500
Interest on loan	3 500	3 500
Sundry expenses	3 000	3 000
Cash drawings by owner		
Vehicle expenses	1 300	1 300

After finalising the budget, the following was identified.

	OCTOBER	NOVEMBER
Cash deficit for the month	(23 250)	F
Cash at the beginning of the month		42 300
Cash at the end of the month	G	(11 200)

**QUESTION 4: CONTROL OF WORKING CAPITAL AND PERIODIC INVENTORY SYSTEM**  
**(30 marks; 25 minutes)**

You are provided with information from the records of J. Lo Fashions for the past two financial years ended 28 February. The business sells women's clothing.

The owner J. Lo requires your advice regarding the control of her working capital. Refer to the questions below and quote figures or financial indicators to support your comments.

**REQUIRED:**

**4.1 Cash (overdraft) in current bank account:**

Comment on the cash in the current bank account. What advice would you give to J. Lo? Provide ONE point. Quote figures. (4)

**4.2 Trading stock:**

4.2.1 Calculate the stock turnover rate for 2019. Use average stock in your calculation. (4)

4.2.2 Comment on the stock turnover rate and the stockholding period for 2019. Quote figures or indicators. Explain why she should be concerned about this. What advice would you give to J.Lo? Provide ONE point. (5)

**4.3 Sales strategies:**

4.3.1 J. Lo used one deliberate measure to improve cash sales in 2019. Identify the strategy and quote the relevant figures. (4)

**4.4 Debtors and creditors:**

Comment on whether or not J.Lo has been controlling her debtors and creditors appropriately. How would this affect the business? Quote figures. (4)

**INFORMATION:**

A.	Figures from the Ledger:	2019	2018
	Total sales	R582 000	R520 000
	Cash sales	R222 800	R120 000
	Credit sales	R360 000	R400 000
	Cost of sales	R376 000	R325 000
	Gross profit	R206 800	R195 000
	Fixed deposit (10% p.a.) maturing in 2 months	R300 000	R300 000
	Cash in the current bank account (overdraft)	(R280 000)	R140 000
	Trading stock	R112 170	R138 496
B.	<b>Financial indicators:</b>		
	Mark-up %	60%	60%
	Discount on cash sales	10%	0%
	Stock turnover rate	?	2,4 times
	Average stock holding period	120 days	150 days
	Average debtors' collection period	30 days	40 days
	Average creditors' payment period	60 days	60 days
	Interest on overdraft	16%	16%

**4.5 Periodic inventory system**

M.M Traders uses the periodic inventory system. Use the following information to calculate the Cost of Sales for the year ended 28 February 2019. (9)

	R
Stock (01/03/2018)	114 000
Stock (28/02/2019)	80 000
Total Purchases	200 000
Carriage on purchases	13 000
Returns by creditors	4 000
Returns by debtors	15 000
Carriage on sales	4 100
Goods taken by owner at cost for own Use	1 000

30

**TOTAL: 150**

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

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GRADE 11

ACCOUNTING PAPER 2

NOVEMBER 2019

ANSWER BOOK

Name and Surname : \_\_\_\_\_

Grade 11 : \_\_\_\_\_

QUESTION	LEARNER'S MARK	MODERATED MARK
1		
2		
3		
4		
TOTAL		

This answer book consists of 12 pages.

**QUESTION 1: RECONCILIATIONS AND VAT**

**1.1. BANK RECONCILIATION**

1.1.1.

Refer to Additional Information A:  
How should cheque no. 1006 be treated? Explain your answer.

3

1.1.2.

Provide a reason why cheque no. 1105 appears on the Bank Reconciliation Statement.

1

1.1.3.

Identify whether the balance as per bank statement is favourable or unfavourable.

1

1.1.4.

Bank Reconciliation Statement on 31 October 2019		
	Debit	Credit

7



1.1.5.

It is evident that cash is not being controlled well in the business. Identify TWO problems and give advice on how these problems can be avoided in the future. Provide figures to support your answer.

	Problem identified with figures	Advice
1		
2		

6

1.2. CREDITORS' RECONCILIATION

	Account of Galaxy Suppliers in Creditors' Ledger of Mars Traders	Statement received from Galaxy Suppliers
Balance	11 605	20 120
A		
B		
C		
D		
E		
Final Balance		

8

## 1.3. VAT

1.3.1

Calculate the amount of VAT either Receivable from or Payable to SARS on 31 August 2019.

Indicate whether this amount is Receivable or Payable.

Receivable / Payable:

7

1.3.2.

The owner has told the accountant to change the bad debts from R800 to R8 000.

Give ONE reason why you disagree with him.

2

TOTAL MARKS
35

**QUESTION 2: MANUFACTURING**

**2.1 CONCEPTS**

Write only True or False next to the question number.

2.1.1	
2.1.2	
2.1.3	

3

**2.2. ASH'S CRYSTAL CREATIONS**

**2.2.1**

Calculate the Direct Labour Cost


9

Calculate the Factory Overhead cost.


13

2.2.2

**Work in Progress Stock account**

<b>2018</b>									
<b>Jan</b>	<b>1</b>	<b>Balance</b>	<b>b/d</b>	<b>160 000</b>					

<b>5</b>

**Finished Goods Stock account**

<b>2018</b>									
<b>Jan</b>	<b>1</b>	<b>Balance</b>	<b>b/d</b>	<b>110 000</b>					

<b>4</b>

**2.3 MAGOGO'S MAGWINYAS**

**2.3.1**

**Calculate the break-even point for the year ended 31 October 2019.**

4

**2.3.2**

**Should the business be satisfied with the number of units that they produced and sold during the current financial year. Explain, quoting figures.**

3

**2.3.3**

**Mama Gogo is concerned about the high cost of producing the magwinyas. She suggested buying used oil at a cheap price from the takeaway down the road which she will use to fry her magwinyas. But she instructed her employees to keep the selling price unchanged. Give TWO points of advice to Mama Gogo why she should not do this.**

4

<b>TOTAL MARKS</b>
45

**QUESTION 3: CASH BUDGET**

3.1.

Identify TWO items incorrectly entered in the Cash Budget.

2

3.2

**CREDITORS' PAYMENT SCHEDULE**

MONTH	CREDIT PURCHASES	OCTOBER	NOVEMBER
August	R40 000	6 000	
September	R44 000	11 000	
October		27 360	
November	R56 000		
		44 360	

10

3.3

	CALCULATION	AMOUNT
(A)	Cash sales	
(B)	Cash purchases of stock	
(C)	Salaries : sales assistants	
(D)	Insurance	
(E)	Delivery vehicle: deposit	
(F)	Cash deficit for the month	
(G)	Cash at the end of the month	

20

3.4

The sales assistants are unhappy with the increase they received. Provide ONE possible reason to justify their dissatisfaction.

2

3.5

Comment on the control of each item and give one point of advice in each case.

	COMMENT	ADVICE
Stationery		
Staff training		

4

TOTAL MARKS
40



**QUESTION 4: CONTROL OF WORKING CAPITAL AND PERIODIC INVENTORY SYSTEM**

4.1

**Comment on the cash in the current bank account.**

**What advice would you give to J.Lo? Provide ONE point. Quote figures.**

4

4.2.1

**Calculate the stock turnover rate for 2019. Use average stock in your calculation.**

4

4.2.2

**Comment on the stock turnover rate and the stockholding period for 2019. Quote figures or indicators. Explain why she should be concerned about this.**

**What advice would you give to J.Lo? Provide ONE point.**

5

4.3.1

J. Lo used one deliberate measure to improve cash sales in 2019. Identify the strategy and quote the relevant figures.

4

4.4

Comment on whether or not J.Lo has been controlling her debtors and creditors appropriately. Quote figures.

How would this affect the business?

4

4.5

Calculate the cost of sales for the year ended 28 February 2019.


9

<b>TOTAL MARKS</b>
30