



education

Department:
Education
REPUBLIC OF SOUTH AFRICA

GREENBURY SECONDARY SCHOOL

ACCOUNTING

FINAL EXAMINATION: 2016

GRADE: 11

EXAMINER : C. MAHARAJ	DURATION : 3 HOURS
MODERATOR : P. GOPAL (DALEVIEW SECONDARY SCHOOL)	MARKS: 300

This question paper consist of 18 pages

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. Show workings in order to achieve part marks.
4. You may use a non – programme calculator.
5. You may use a blue/black ink to answer the questions.
6. Where applicable show all calculations to ONE decimal place.
7. Write neatly and legibly.
8. Use the information and table below as a guide when answering the questions.
Try NOT to deviate from it.

Question 1 : 50 marks; 30 minutes	
Topic of this question	This question integrates:
Reconciliation Vat	Financial Accounting
	Bank and Creditors Reconciliation
	Vat calculations
	Managing Resources
	Internal control

Question 2 : 80 marks; 48 minutes	
Topic of this question	This question integrates:
Correct net profit and notes to Financial Statements	Financial Accounting
	Calculation of net profit, tangible assets trade and other receivables/payables
	Managing Resources
	Internal control
	Asset disposal Account

Question 3 : 35 marks; 21 minutes	
Topic of this question	This question integrates:
Concepts and Balance Sheet	Financial Accounting
	Prepare a Balance sheet

Question 4: 40 marks; 24 minutes	
Topic of this question	This question integrates:
Concepts Analysis and interpretation	Financial Accounting
	Calculations and financial indicators
	Analysis and interpretation

Question 5 : 50 marks; 30 minutes	
Topic of this question	This question integrates:
Manufacturing	Managerial Accounting
	Direct materials cost, factory overheads
	Analysis and interpretation of break - even point
	Managing Resources
	Internal control

Question 6 : 45 marks; 27 minutes	
Topic of this question	This question integrates:
Cash budget Periodic inventory Internal control	Managerial Accounting
	Cash budget calculations / Trading Account
	Managing Resources
	Internal control and internal audit

QUESTION ONE: BANK, CREDITORS RECONCILIATION AND VAT**[50MARKS; 30 MINUTES]****Bank Reconciliation**

1.1. State whether the following statements are True or False. (4)

- 1.1.1.** A post – dated cheque received from a debtor must be recorded in the CRJ on the date of receipt.
- 1.1.2.** A dishonoured must be recorded in the CPJ.
- 1.1.3.** The rule of Prudence states that the theft of cash must be recorded as an expense.
- 1.1.4.** A credit balance on the bank statement reflects that the bank balance is favourable.

1.2. The information below relates to Platinum Traders.

Required :

1.2.1. Provide ONE reason for preparing the Bank Reconciliation Statement as an internal control process. (2)

1.2.2. State the adjustment to be made to the financial statement on **31 July 2016** in respect of the post – dated cheque issued. Refer to the Bank Reconciliation Statement for June 2016. Include the actual figure in your answer. (4)

1.2.3. Study the given items. State whether these items will be entered in the : (9)

- Cash receipts journal
- Cash payments journal
- Or whether no entry will be made in the journals. Place an X in the column to indicate this.

Show the amount that will be entered in the journal where appropriate.

1.2.4. Prepare the Bank Reconciliation Statement for 31 July 2016. (7)

1.2.5. In August 2016 the internal auditor discovered that the outstanding deposit of R40 500 on the Bank Reconciliation Statement on 31 July 2016 appeared as R4 500 on the bank statement (item 3). The amount on the bank statement is correct.

List ONE concern that you have as internal auditor. Provide ONE suitable control measure to prevent this from happening in the future. (3)

Information :

A. Bank Reconciliation Statement of Platinum Traders on 30 June 2016

Dr. Balance as per bank statement	2 100
Outstanding deposit	20 400
Outstanding cheques:	
No. 1410 (dated 10 January 2016)	2 400
No. 1626 (dated 20 August 2016)	9 000
No, 1705 (dated 31 July 2016)	3 500
Dr. Balance as per bank account	3 400

- B. After comparing the Bank Reconciliation Statement for June with the July bank statement and CRJ and CPJ for July the following differences were noted:
- Item 1** The bank statement showed a favourable balance of R18 260 on 31 July 2016.
- Item 2** A deposit of R20 400 appears on the bank statement on 1 July 2016 but not in the cash journals.
- Item 3** A deposit of R40 500 dated 10 July appears in the CRJ for July but not on the Bank statement.
- Item 4** An EFT for R5 300 for rent received from a tenant G. Gold, only appeared on the bank statement.
- Item 5** A bank charge of R1 950 appears on the bank statement.
- Item 6** The bank statement reflected a dishonoured cheque of R 820. This cheque was received from a debtor in settlement of his account. He owed R 850.
- Item 7** Cheque no. 1410 was issued as a donation to the local orphanage. It was replaced with cheque no. 1710 on 25 July 2016. The donation was increased by R500.
- Item 8** Cheque no. 1705 dated 31 July appeared on the bank statement, but not in the journals.
- Item 9** Cheque no. 1715 for R6 100 dated 28 July 2016 appears in the CPJ, but not on the bank statement.
- Item 10** The bank overcharged on the bank charges for July 2016 by R 480. The bank has agreed to correct the error during August 2016. This is **not** included in the bank charges mentioned in **Item 5**.

1.3. Creditors Reconciliation:

(10)

The following information was taken from the records of Rose - Gold Traders.

Required :

Complete the table in the **Answer Book** to show how the differences must be treated to reconcile the Creditor's Ledger Account with the Statement of Account.

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

Information :

The following balances are provided.

- In the account of Silver Traders in the Creditors Ledger of Rose – Gold Traders on 31 October 2016, R 30 700
 - On the Statement received from Silver Traders on 25 October 2016, R 37 310
- a) A payment by Rose – Gold Traders of R 12 260 was omitted from the statement.
- b) A debit note for R1 600 issued to Silver Wholesalers was incorrectly recorded in the account of Silver Traders by Rose – Gold Traders.
- c) Rose – Gold Traders had correctly recorded a discount of R 850 for early payment, however this was omitted from the statement.

- d) A credit note for R 3 200 received from Silver Traders for goods returned was incorrectly recorded as an invoice by Rose – Gold Traders.
- e) Goods purchased on the 31 October 2016 for R 1 700 was recorded correctly in the creditors ledger. The statement from Silver Traders is dated 25 October 2016.

1.4. Value Added Tax :

PC Zone is a registered Vat vendor. The business sells computers and also provides a repair service.

The following is a summary of the business transactions for November 2016.

Transactions	Amount including VAT	Amount excluding VAT	VAT amount
Total sales	153 330		
Total purchase of trading stock		64 500	
Stationery purchased	1 710		
Fees received from repair work done		36 200	
Electricity paid			336
Accounting fees paid	9 120		

Required :

- 1.4.1. Calculate the Input tax and the Output tax for November 2016. (8)
- 1.4.2. Calculate the amount payable/refundable to/by SARS for November 2016 (2)

QUESTION TWO : FINANCIAL STATEMENTS

[80 MARKS; 48 MINUTES]

HP Traders is a partnership business, with partners Bill Hewlett and Dave Packard. Their inexperienced accountant prepared the final accounts and the Post Closing Trial Balance of the business on 30 June 2016 without taking certain adjustments into account.

Required :

- 2.1. Complete the Asset Disposal account. (Refer to adjustment 1) (10)
- 2.2. Calculate the **Correct Net Profit for the year.** (25)
- 2.3. Prepare the following notes to the Balance Sheet:
- Tangible assets (15)
 - Trade and other Receivables (10)
 - Trade and other Payables (16)
- 2.4. HP Traders employed Mr. D.Dell in the accounts department. Some of his duties include preparing the invoices, collecting monies from debtors and depositing all monies received. He also completes all reconciliation procedures in respect of debtors.
- 2.4.1. Explain ONE possible problem that HP Traders may experience in respect of D. Dell (2)
- 2.4.2. Suggest ONE measure that must be taken to solve this problem. (2)

Information :

1. The following balances were extracted from the year end accounting records of HP Traders on 30 June 2016.

	(Refer to Adjustment A)
Tangible assets	
Trading stock	206 000
Debtors control	158 200
Provision for bad debts (1 July 2015)	8 100
Deposit on electricity	6 300
Creditors control	70 800
Pension fund	4 800
Creditors for salaries	15 400
SARS –PAYE	3 600
Prepaid expense	1 265

2. The accountant has calculated the **Net Profit to be R 800 000**, but has made certain errors and has forgotten to put through certain entries.

3. The following errors and/ or omissions must be corrected /brought into account:

A. Tangible Assets: (Some figures are included in the Tangible Asset note)

- Land and building was sold during the year.
- A vehicle bought on 1 July 2014 for R290 000 was sold for cash on 31 December 2015, at a profit of R 5 000.
- A new vehicle was bought on credit for R 200 000 on 30 June 2016.
- Depreciation on vehicles is written off at 20 % p.a. on the diminishing balance method.
- Depreciation on equipment is written off at 10 % p.a. on cost.(Equipment is old)

No entries have been made for the above transactions.

B. No entries have been made for stock stolen on 10 June 2016. The insurance company informed HP Traders that they will transfer R25 200 into the business current bank account on 3 August 2016, in respect of the insurance claim. HP Traders bears a 25% of any stock loss.

C. Stocktaking on 30 June 2016 revealed the following items on hand:

- Trading stock R 170 000
- Packing material R 2 000

D. It was decided to write off a debtors account on 30 June 2016, as he could not be traced. He owed the business R 900.

E. The provision for bad debts must be adjusted to 5 % of debtor's control.

F. The accountant has **recorded** the salary of an employee in the salaries journal for June 2016, who has resigned on 1 June 2016. His details are as follows:

Monthly gross salary	12 500
PAYE deductions	1 500
Pension fund deductions	800
The business contributes on a Rand – for – Rand basis to Pension Fund	

G. Rates and taxes still due, R 7 500

H. Rent for July 2016 has been received in advance. The total rent received according to the CRJ totalled R 140 800. The rent was decreased by 10 % with effect from 1 June 2016. The accountant has not taken the adjustment in respect of rent income into account.

QUESTION THREE: CONCEPTS AND BALANCE SHEET

[35 MARKS; 21 MINUTES]

(5)

3.1. Match the concepts in Column A with the description in Column B. Write only the letter next to the number in the table provided in the answer book.

Column A	Column B
3.1.1. Current asset	A. A loan to be repaid in more than a year.
3.1.2. Current liability	B. Capital plus current account.
3.1.3. Financial asset	C. Consumable stores not used at the end of the financial year.
3.1.4. Non-current liability	D. Investments such as a fixed deposit maturing in 5 years.
3.1.5 Partners equity	E. A loan to be repaid in less than a year.

3.2. Balance Sheet:

(30)

You are provided with information relating to LP Traders, a partnership business owned by L. Lenny and P. Penny.

Required :

3.2.1. Use the information to complete the Balance Sheet on 29 February 2016.

Information:

1. Capital :

Balances on 1 March 2015 :

- L. Lenny R 2 000 000
- P. Penny R 3 880 000

Note: L. Lenny decreased his capital by R 400 000 on 1 December 2015.

P. Penny increased her capital by R 200 000 on 1 January 2016.

Current account balances??????

2. The loan statement received from Africa Bank reflected the following:

Balance on 1 March 2015	1 660 000
Interest on capital for the year (capitalised)	188 400
Repayments of R 25 200 per month (loan plus interest)	?
Capital repayments are expected to remain the same over the next financial year.	

3. The following balances were extracted from the **Post Closing Trial Balances** on 28 February 2016.

Tangible assets at carrying value	6 858 000
Creditors control	560 000
Bank overdraft	340 000
Cash float and petty cash	16 000

4. There are two Fixed Deposit at KZN Bank :
- R 720 000 matures on 31 July 2020
 - R 160 000 matures on 31 December 2016
5. The following financial indicators were calculated on 28 February 2016:
- Debt equity ratio 0.2 : 1
 - Current ratio 2 : 1
 - Acid test ratio 0.8 : 1

QUESTION FOUR : ANALYSIS AND INTERPRETATION OF FINICIAL STATEMENTS [40 MARKS; 24 MINUTES]

The following information was extracted from the records the accounting records of HIP - HOP Traders, a business by H. Hip and H. Hop.

Required :

- 4.1. Explain the difference between Liquidity and Solvency. (2)
- 4.2. Calculate the following financial indicators for 2016 :
- Acid test ratio (3)
 - Stock turnover rate (4)
 - Debt to equity ratio (3)
 - Return earned by the business (4)
- 4.3. Refer to the expected mark – up and actual mark – up achieved percentages.
- 4.3.1. List **TWO** reasons why HIP – HOP Traders did not achieve the expected mark – up of 60%. (2)
- 4.3.2. The partners of HIP – HOP Traders are considering increasing the mark –up on cost to 70% on cost. List **TWO** factors they should consider before implementing this strategy. (2)
- 4.4. Does the business have a liquidity problem?
Quote **THREE** relevant financial indicators with figures, percentages or ratio's to support your answer. (10)
- 4.5. One of the partner's is of the opinion that the Loan from Sharks Bank should be paid off as quickly as possible. What advice would you offer him?
Discuss **TWO** relevant financial indicators to support your answer. (7)
- 4.6. Should the partners be satisfied with the performance of the business? Explain, quote financial indicator to support your answer. (3)

Information :

1. Extract from Income Statement for the year ended 31 December 2016.

Sales	876 000
Cost of sales	576 000
Gross profit	?
Net profit for the year	135 000

2. Extract from Balance Sheet on 31 December :

	2016	2015
Tangible assets	566 000	448 000
Inventories	174 880	152 600
Trade and other Receivables	89 500	64 000
Cash and cash equivalents	38 100	4 400
Partner's equity	640 000	450 000
Loan : Shark Bank	170 000	112 000
Trade and other payables	45 080	74 700

3. Financial Indicators:

	2016	2015
Actual mark – up	60 %	60 %
Expected mark – up	52 %	54 %
Current ratio	3.1 : 1	1.5 : 1
Acid test ratio	?	0.47 : 1
Stock turnover rate	?	2.9 times
Debtors collection period	32 days	35 days
Debt equity ratio	?	0.25 : 1
Return on total capital employed	36 %	39 %
Percentage return earned by business	?	28.2 %
Interest on loans	15 %	15 %

QUESTION FIVE : MANUFACTURING

[50 MARKS ; 30 MINUTES]

5.1. For each item below, indicate the appropriate cost category from the following options

Selling and distribution; direct materials; factory overheads;
direct labour ; administration

(5)

5.1.1. Wages paid to factory machine operator.

5.1.2. Bad debts.

5.1.3. Interest on loan.

5.1.4. Materials used to make the final product.

5.1.5. Rent paid for the factory.

5.2. You are provided with information relating to Trend Setters Manufacturers.
The financial year ends on 30 September 2016.

Required :

5.2.1. Calculate the **Direct Material Cost/ Raw Materials Issued** to production. (8)

5.2.2. Prepare the Ledger Account for **Factory overheads Cost** Account.
Account to be properly closed off for the year ended 30 September 2016. (23)

Information :

A. Balances :

	30 September 2016	30 September 2015
Raw material stock	50 000	80 000
Work in process	75 000	89 000
Consumable stores stock	20 000	15 000
Accrued expenses(water and electricity)	3 000	5 000

B. Transactions for the year ended 30 September 2016 :

Purchases of raw materials :	
• Cash	290 000
• Credit	350 000
Carriage on purchases of raw materials	26 000
Raw materials returned to supplier	14 000
Purchase of consumable stores for cash	65 000

Rent paid	485 000
Water and electricity paid	192 000
Advertising paid	63 000
Insurance paid	85 000
Factory expenses paid	35 400

C. Additional information and Adjustments:

1. Rent expense is allocated in accordance with floor space. This space is allocated as follows: factory 1 820 m² and the other departments 780m².
2. Consumable stores are shared in the ratio **5 : 1** by the factory and administration departments respectively.
3. Insurance is shared between the factory, sales and administration departments in the ratio **3 : 2 : 1**.
4. Indirect labour in the factory comprises the factory foreman who earns R 120 000 per year and a cleaner who earns R 38 000 per year. The cleaner spends 75% of the time in the factory.
5. The factory uses 70 % of the water and electricity and the rest is split between the administration and sales department equally.
6. Depreciation is written off as follows:
 - Office equipment R 6 500
 - Factory machinery R 11 100

5.3. Vintage Manufacturers manufactures baby cribs according to orders received.

The information below is for the financial year ended 31 August 2016.

Required :

- 5.3.1. Calculate the **Break - even point** for the period ended 31 August 2016. (5)
- 5.3.2. Should the business be satisfied with the level of production? Explain briefly. (3)
- 5.3.3. Provide **TWO** reasons for the increase in **Direct Material Cost** and suggest **ONE** way in which the business can control this cost. (6)

Information :

A. Cost information for the year ended 31 August 2016

Cost category	Amount	Cost per unit	
		2016	2015
Direct material cost	86 400	180	156
Direct labour cost	122 400	255	242
Factory overhead cost	76 800	160	156
Selling and distribution cost	74 400	155	152
Administration cost	60 000	125	129

B. Additional information for the year ended 31 August.

	2016	2015
Total sales	412 800	459 000
Selling price per unit	860	850
No. of units produced and sold	480	540
Break – even point	?	508

QUESTION SIX: CASH BUDGET, PERIODIC INVENTORY SYSTEM AND PROBLEM SOLVING**[45 MARKS; 27 MINUTES]****6.1. Cash Budgets:****[22]**

You are provided with information relating to Umhlanga Traders. Their financial year ends on the 31 December 2016.

Required :

- 6.1.1.** Why does depreciation not appear on the Cash Budget? **(1)**
- 6.1.2.** Complete the **Debtors Collection Schedule** for the months January and February 2017. **(6)**
- 6.1.3.** Calculate the missing amounts indicated by the letters **A to H** in the Cash Budget for January and February 2017. **(15)**

Information:**Extract of Cash Budget for the period January and February 2017**

Cash Receipts	January	February
Cash sales	168 000	A
Collection from debtors		B
Rent income	15 000	C
Cash Payments		
Cash purchases	18 000	D
Payments to creditors	29 100	E
Sundry expenses	F	6 000
Loan	10 000	-
Interest on loan (12 %)	625	G
Salaries	H	42 000

2. Balances on 31 December 2016

Loan : NUR Bank	50 000.
Accrued expenses: Salaries	6 000

- 3.** Rent will increase by 15 % from 1 Februarys 2017.
- 4.** Salaries increased by 5 % with effect from 1 February 2017.
- 5.** A loan repayment will be made on 31 January 2017.
- 6.** Sundry expenses increase by R 500 each month.

7. Sales and Purchases:

Months	Actual and Budgeted Credit sales	Credit Purchases
November	57 000	27 000
December	57 500	30 000
January	56 000	33 000
February	54 600	36 000

- Credit sales are 25 %.
8. Debtors are expected to pay as follows:
- 50 % in the transaction month subject to a 5 % discount.
 - 30 % in the month following the transaction month.
 - 15 % in the second month following the transaction month.
 - 5 % will be written off as a bad debt after the third month.
9. Credit purchases are 60 % of total purchases.
Creditors are paid one month after purchases subject to a 3 % discount.

6.2. Periodic Inventory Systems:

[14]

Rite Price Hyper Store uses the periodic inventory system.

Required :

- 6.2.1. Briefly explain the main difference between perpetual and periodic inventory systems. (2)
- 6.2.2. Prepare the Trading Account. Account to be properly balanced. (12)

Information :

Extract from Pre- Adjustment Trial Balance on 31 October 2016.

Trading stock on 1 November 2015	60 000
Purchases	360 000
Sales	520 000
Debtors allowances	15 000
Creditors allowances	10 400
Carriage on purchases	6 200
Carriage on sales	3 500

Adjustments and Additional Information:

1. Stock with a cost price of R1 600 was donated to the local orphanage.
2. An account received from Reliable Transport for the transportation of goods purchased, R 1 800. No entry has been made.
3. On 25 October 2016 the owner took goods at cost R 2 000. The inexperienced bookkeeper debited Drawings and credited Sales. Correct the error.
4. Physical stock taking shows the value of stock on hand on 31 October 2016, R 86 300.

6.3. Problem – Solving :

[9]

Nintendo Traders

Nintendo Traders sells one type of gaming console, PS 4. The owner T. Tendo has 3 branches situated in Umhlanga, Ballito and Pinetown. The three branches are managed by Shaun, Dimba and Kyle. Financial year ends 28 February 2016.

Required :

- 6.3.1. Identify ONE **problem** in relation to each branch, quoting figures / amounts to support the problem. Offer the owner **advice** on how to solve the problem.

(9)

Note : All game consoles are sold for cash**Information :**

Game consoles : PS 4	Umhlanga Shaun	Ballito Dimba	Pinetown Kyle
PS 4 available for sale	2 700	1 900	1 700
PS 4 sold during the year	2 100	400	1 400
PS 4 returned during the year	30	30	0
Stock on 28 February 2016	470	1 470	300
Total cash sales	16 800 000	3 200 000	10 500 000
Cost price per PS 4	6 000	6 000	6 000
Selling price per PS 4	8 000	8 000	8 000
Advertising	15 000	15 000	15 000
Salary of manager per month	20 000	20 000	20 000

100



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GREENUBRY SECONDARY SCHOOL

ACCOUNTING: GRADE 11

FINAL EXAMINATION: 2016

ANSWER BOOK

NAME OF LEARNER: _____ GRADE: 11 _____

QUESTION	MAX.	LEARNERS MARK	MODERATORS MARK
1	50		
2	80		
3	35		
4	40		
5	50		
6	45		
	300		

This answer book consists of 16 pages.

For educators use:

Moderator	
Date	
Checker	

QUESTION ONE :

1.1.

1.1.1.	
1.1.2.	
1.1.3.	
1.1.4.	

4

1.2.1. Provide ONE reason for preparing the Bank Reconciliation Statement as an internal control process.

2

1.2.2. State the adjustment to be made to the financial statement on 31 July 2016 in respect of the post – dated cheque issued. Refer to the Bank Reconciliation Statement for June 2016. Include the actual figure in your answer.

4

1.2.3.

Item	Cash Receipts Journal	Cash Payments Journal	No Entry
1			
2			
3			
4			
5			
6			
7			
8			
9			
10			

12

1.3.1.

	Creditors Ledger	Creditors Reconciliation Statement
	30 700	37 310
a)		
b)		
c)		
d)		
e)		

10

1.4.1. Calculate the Input tax and the Output tax for November 2016.

Input Tax	Output Tax

8

1.4.2. Calculate the amount payable/refundable to/by SARS for November 2016

--

2

Total Marks
50

QUESTION TWO :

2.1.				ASSET DISPOSAL				

10

2.2. Calculate the Correct Net Profit for the year.

INCORRECT NET PROFIT	800 000

25

QUESTION THREE:

3.1.

3.1.1.	
3.1.2.	
3.1.3.	
3.1.4.	
3.1.5.	

5

3.2.

BALANCE SHEET AS AT 28 FEBRUARY 2016

ASSETS	
NON – CURRENT ASSETS	
FINANACIAL ASSETS	
CURRENT ASSETS	
Inventories	
TOTAL ASSETS	
EQUITY AND LIABILITIES	
PARTNER’S EQUITY	
NON – CURRENT LIABILITIES	
Loan :	
CURRENT LIABILITIES	
Trade And Other Payables	
TOTAL EQUITY AND LIABILITIES	

30

Total Marks
35

QUESTION FOUR:

4.1. Explain the difference between Liquidity and Solvency.

2

4.2. Calculate the following financial indicators for 2016 :

- Acid test ratio

--

3

- Stock turnover rate

--

4

- Debt equity ratio

--

3

- Return earned by the business

--

4

4.3.1. List TWO reasons why HIP – HOP Traders did not achieve the expected mark – up of 60%.

•
•

2

4.3.2. The partners of HIP – HOP Traders are considering increasing the mark –up on cost to 70% on cost. List TWO factors they should consider before implementing this strategy.

•
•

2

4.4. Does the business have a liquidity problem?
Quote THREE relevant financial indicators with figures, percentages or ratio's to support your answer.

10

4.5. One of the partner's is of the opinion that the Loan from Sharks Bank should be paid off as quickly as possible. What advice would you offer him?

Discuss TWO relevant financial indicators to support your answer.

7

4.6. Should the partners be satisfied with the performance of the business? Explain, quote financial indicator to support your answer.

3

Total Marks
40

5.3.1. Calculate the Break - even point for the period ended 31 August 2016.

--

5

5.3.2. Should the business be satisfied with the label of production? Explain briefly.

--

3

5.3.3. Provide TWO reasons for the increase in Direct Material Cost and suggest ONE way in which the business can control this cost.

Two Reasons:
•
•
How can business control this cost:

6

Total Marks
50

QUESTION SIX:

6.1.1. Why does depreciation not appear on the Cash Budget?

--

1

6.1.2. Debtors Collection Schedule for the months January and February 2017

Month	Credit Sales		January	February
November	57 000		8 550	
December	57 500		17 250	
January	56 000			
February	54 600			

6

6.1.3. Calculate the missing amounts indicated by the letters A to H in the Cash Budget for January and February 2017.

	Workings	Answer
A		
B		
C		
D		
E		
F		
G		
H		

15

6.2.1. Briefly explain the main difference between perpetual and periodic inventory systems.

2

TRADING ACCOUNT

TRADING ACCOUNT							

12

6.3.1. Identify ONE **problem** in relation to each branch, quoting figures / amounts to support the problem. Offer the owner **advice** on how to solve the problem.

	Problem with figures	Advice
Branch : Umhlanga		
Branch : Ballito		
Branch: Pinetown		

9

Total Marks
45

100
100



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GREENUBRY SECONDARY SCHOOL

ACCOUNTING

FINAL EXAMINATION: 2016

ANSWER BOOK

MEMORANDUM

QUESTION	MAX.	LEARNERS MARK	MODERATORS MARK
1	50	50	
2	80	80	
3	35	35	
4	40	40	
5	50	50	
6	45	45	
	300	300	

This answer book consists of 16 pages.

For educators use:

Moderator	
Date	
Checker	

QUESTION ONE :

1.1.

1.1.1.	False	✓
1.1.2.	True	✓
1.1.3.	True	✓
1.1.4.	True	✓

4
4

1.2.1. Provide ONE reason for preparing the Bank Reconciliation Statement as an internal control process.

To check accuracy of entries / to check for fraudulent activities	
To check for errors and omissions	✓✓

2
2

1.2.2. State the adjustment to be made to the financial statement on 31 July 2016 in respect of the post – dated cheque issued. Refer to the Bank Reconciliation Statement for June 2016. Include the actual figure in your answer.

Reverse the entry, ✓
creditors control would increase ✓ and bank would increase ✓ by R 9 000 ✓

4
4

1.2.3.

Item	Cash Receipts Journal	Cash Payments Journal	No Entry
1			X ✓
2			X ✓
3			X ✓
4	5 300 ✓		
5		1 950 ✓	
6		820 ✓	
7	2 400 ✓	2 900 ✓✓	
8			X ✓
9			X ✓
10			X ✓

12
12

1.2.4. Bank Reconciliation Statement on 30 July 2016

	DEBIT	CREDIT
Cr. Balance as per bank statement		18 260✓
Cr. Outstanding deposit		40 500✓
Dr. Outstanding cheques:		
No. 1710	2 900✓	
No. 1715	6 100✓	
No. 1626	9 000✓	
Cr. Incorrect bank charges		480✓
Dr. Balance as per bank account	41 240 ☑	
	59 240	59 240

7
7

1.2.5. In August 2016 the internal auditor discovered that the outstanding deposit of R40 500 on the BRS on 31 July 2016 appeared as R4 500 on the bank statement (item 3). The amount on the bank statement is correct.

List ONE concern that you have as internal auditor. Provide ONE suitable control measure to prevent this from happening in the future.

Concern ✓✓	Control Measure ✓
<ul style="list-style-type: none"> • Theft of money <p style="text-align: center;">Or</p> <ul style="list-style-type: none"> • Rolling of cash 	<ul style="list-style-type: none"> • Compare receipts of cash to the deposit slips on a daily basis. • Division of duties – deposits to be checked by another person. • Arrange for sms notification from bank and check against CRJ

3
3

1.3.1.

	Creditors Ledger	Creditors Reconciliation Statement
	30 700	37 310
a)		- 12 260 ✓✓
b)	+ 1 600 ✓	
c)		- 850 ✓
d)	- 6400 ✓✓	
e)		+ 1 700 ✓✓
	25 900 <input checked="" type="checkbox"/>	25 900 <input checked="" type="checkbox"/>

10
10

1.4.1. Calculate the Input tax and the Output tax for November 2016.

Input Tax			Output Tax	
64 500 x 14 / 100	9 030	✓	153 330 x 14 / 114	18 830 ✓
1 710 x 14 / 114	210	✓	36 200 x 14 / 100	5 068 ✓
	336	✓		
9 120 x 14 / 114	1 120	✓		
	<u>10 696</u>	✓		<u>23 898 ✓</u>

8
8

1.4.2. Calculate the amount payable/refundable to/by SARS for November 2016

Vat Payable ✓ = 23 898 – 10 696 = 13 202 <input checked="" type="checkbox"/>	<table border="1"> <tr> <td style="text-align: center;">2</td> </tr> <tr> <td style="text-align: center;">2</td> </tr> </table>	2	2
2			
2			

Total Marks
50
50

QUESTION TWO :

2.1.			ASSET DISPOSAL			
	Vehicles	✓	290 000	✓	Accum depr on vehicles	✓
	Profit on sale	✓	5 000	✓	(58 000 ✓ + 23 200 ✓)	81 200 ✓ <input checked="" type="checkbox"/>
					Bank	213 800 ✓
			295 000			295 000

10
10

2.2. Calculate the Correct Net Profit for the year.

INCORRECT NET PROFIT	800 000
Depreciation (23 200 <input checked="" type="checkbox"/> + 71 600 ✓✓ + 7 999 ✓✓)	(102 799) <input checked="" type="checkbox"/>
Loss due to theft (33 600 – 25 200)	(8 400) ✓✓
Trading stock deficit (206 000 – 33 600 – 170 000)	(2 400) ✓✓
Packing material	2 000 ✓✓
Bad debts	(900) ✓✓
Prov. for bad debts adj. (8 100 – 7 865)	235 ✓✓
Salaries	12 500 ✓✓
Pension contributions	800 ✓✓
Rates and taxes	(7 500) ✓
Rent income	(9 900) ✓✓✓
Profit on sale	5 000 ✓
	688 636 <input checked="" type="checkbox"/>

25
25

2.3.

TANGIBLE ASSET	Land and buildings	Vehicles	Equipment
Cost	1 900 000	900 000	90 000
Accumulated depreciation	-	(310 000)	(82 000)
Carrying value(beg. of year)	1 900 000✓	590 000✓	8 000✓
Movements:			
Additions at cost		200 000✓✓	0
Disposals at carrying value	800 000✓✓	(208 800)☒	0
Depreciation		(94 800)☒	(7 999)☒
Carrying value(end of year)	1 100 000✓	486 400✓	1 ✓
Cost	1 100 000	810 000	90 000✓
Accumulated depreciation	-	(323 600)	(89 999)✓

15
15

TRADE AND OTHER RECEIVABLES:	
Trade debtors(158 200✓ – 900✓)	157 300✓
Less : Prov. for bad debts	(7 865)✓
Net trade debtors	149 435☒
Accrued income	25 200✓
Prepaid expense	1 265✓
Deposit on electricity	6 300✓
	182 200☒✓

10
10

TRADE AND OTHER PAYABLES:		
Trade creditors(70 800✓ + 200 000✓)	270 800	✓
Accrued expenses	7 500	✓
Deferred income	9 900	✓
Creditors for salaries (15 400✓ - 10 200✓)	2 900	✓
SARS- PAYE(2 600✓ -1 500✓)	2 100	✓
Pension Fund(4 800✓ - 800✓ - 800✓)	3 200	✓
	298 700	☑

16
16

2.4.1. Explain ONE possible problem that HP Traders may experience in respect of D. Dell

Dell is in charge of too many duties /may defraud the business. ✓✓

2
2

2.4.2. Suggest ONE measure that must be taken to solve this problem.

Division of duties – appoint different people to do different aspects of the job. ✓✓

2
2

Total Marks
80
80

QUESTION THREE:

3.1.

3.1.1.	C	✓
3.1.2.	E	✓
3.1.3.	D	✓
3.1.4.	A	✓
3.1.5.	B	✓

5
5

3.2.

BALANCE SHEET AS AT 28 FEBRUARY 2016

ASSETS		
NON – CURRENT ASSETS	7 578 000	<input checked="" type="checkbox"/>
Tangible Assets	6 858 000	✓
FINANACIAL ASSETS		
Fixed deposit:	720 000	✓
CURRENT ASSETS	2 028 000	<input checked="" type="checkbox"/>
Inventories	1 216 800	✓
Trade and other Receivables	635 200	✓
Cash and Cash Equivalents (16 000 ✓ + 160 000 ✓)	176 000	✓
TOTAL ASSETS	9 606 000	<input checked="" type="checkbox"/>
EQUITY AND LIABILITIES		
PARTNER'S EQUITY	7 160 000	<input checked="" type="checkbox"/>
Capital (2 000 000 ✓ + 3 880 000 ✓ - 400 000 ✓ + 200 000 ✓)	5 680 000	✓
Current Account	1 480 000	<input checked="" type="checkbox"/>
NON – CURRENT LIABILITIES	1 432 000	<input checked="" type="checkbox"/>
Loan : Africa Bank (1 660 000 ✓ + 188 400 ✓ - 302 400 ✓ - 114 400 ✓)	1 432 000	✓
CURRENT LIABILITIES	1 014 000	<input checked="" type="checkbox"/>
Trade And Other Payables(114 000 ✓ ✓ + 560 000 ✓)	674 000	<input checked="" type="checkbox"/>
Bank overdraft	340 000	✓
TOTAL EQUITY AND LIABILITIES	9 606 000	<input checked="" type="checkbox"/>

30
30

Total Marks
35
35

QUESTION FOUR:

4.1. Explain the difference between Liquidity and Solvency.

Liquidity is the ability of the business to settle its debts in the short term. ✓
Solvency is the ability of the business to settle its debts in the long term. ✓

2
2

4.2. Calculate the following financial indicators for 2016 :

- Acid test ratio

<p>Current assets – inventories : current liabilities</p> <p>= 89 500 + 38 100 ✓ : 45 080 ✓</p> <p>= 2.8 : 1 ✓</p>
--

3
3

- Stock turnover rate

$\frac{\textit{cost of sales}}{\textit{ave. trading stock}}$ $= \frac{576\ 000\ \checkmark}{\frac{1}{2}(174\ 880\ \checkmark + 152\ 600\ \checkmark)}$ $= 3.5\ \text{times}\ \checkmark$
--

4
4

- Debt equity ratio

<p>Non- current liabilities : partner's equity</p> <p>= 170 000 ✓ : 640 000 ✓</p> <p>= 0.3 : 1 ✓</p>
--

3
3

- Return earned by the business

$\frac{\textit{net profit}}{\textit{average partner' equity}} \times 100$ $= \frac{135\ 000\ \checkmark}{\frac{1}{2}(640\ 000\ \checkmark + 450\ 000\ \checkmark)} \times 100$ $= 24.8\%\ \checkmark$

4
4

4.3.1. List TWO reasons why HIP – HOP Traders did not achieve the expected mark – up of 60%.

• Too liberal a policy in granting trade discounts.	✓
• Too many seasonal sales at low prices.	✓
• Incorrect pricing.	✓
• Petty thieving or shoplifting.	✓

2
2

4.3.2. The partners of HIP – HOP Traders are considering increasing the mark –up on cost to 70% on cost. List TWO factors they should consider before implementing this strategy.

• The needs of customers.	✓
• The purchasing power of customers.	✓
• Prices charged by competitors.	✓
• The effect it will have on sales volume.	✓

2
2

4.4. Does the business have a liquidity problem?
Quote THREE relevant financial indicators with figures, percentages or ratio's to support your answer.

No ✓
• Current ratio increased from 1.5 : 1 to 3.1 : 1
• Acid test ratio increased from 0.48 : 1 to 2.8 : 1
• Stock turnover rate increased from 2.9 times to 3.5 times
• Debtors collection improved by 3 days.
✓ for identification of financial indicator ✓ for trend ✓ for stating figures

10
10

4.5. One of the partner's is of the opinion that the Loan from Sharks Bank should be paid off as quickly as possible. What advice would you offer him?

Discuss TWO relevant financial indicators to support your answer.

Do not pay off loan. ✓
Debt equity ratio ✓
Although debt equity increased from 0.25 : 1 to 0.3 : 1, business is lowly geared, credit worthy and less risky. ✓
ROTCE ✓ decreased from 39 % to 36 % but is higher than the interest on loans 15%. ✓
This indicates business is positively geared. ✓

7
7

4.6. Should partners be satisfied with the performance of the business? Explain, quote financial indicator to support your answer.

Yes. Although the return has decreased from 28.2. % to 24.8 %it is still above
Alternative investments offering 5% - 9 %.

3
3

Total Marks
40
40

QUESTION FIVE:

5.1.

5.1.1.	Direct labour	✓
5.1.2.	Selling and distribution	✓
5.1.3.	Administration	✓
5.1.4.	Direct materials	✓
5.1.5.	Factory overheads	✓

5
5

5.2.1. Calculate the Direct Material Cost/ Raw Materials Issued to production.

$$80\,000 \checkmark + 290\,000 \checkmark + 350\,000 \checkmark + 26\,000 \checkmark - 14\,000 \checkmark - 50\,000 \checkmark = 682\,000 \checkmark \boxtimes$$

8
8

5.2.2.	Factory Overhead Cost			
	Indirect materials		Work in process ✓	760 000 <input checked="" type="checkbox"/>
	(15 000 ✓ + 65 000 ✓ - 20 000 ✓) x 5/6 ✓	50 000 ✓ <input checked="" type="checkbox"/>		
	Rent (485 000 x 1820/2600)	339 500 ✓ ✓		
	Insurance (85 000 x 3/6)	42 500 ✓ ✓		
	Indirect labour (120 000 ✓ + 28 500 ✓)	148 500 ✓		
	Water and Electricity			
	(3 000 ✓ + 192 000 ✓ - 5 000 ✓) x 70/100 ✓	133 000 ✓ <input checked="" type="checkbox"/>		
	Depreciation	11 100 ✓		
	Factory expenses	35 400 ✓		
		760 000		760 000

23
23

5.3.1. Calculate the Break - even point for the period ended 31 August 2016.

$$\begin{aligned}
 \text{BEP} &= \frac{\text{TOTAL FIXED COST}}{SP u - VCu} \\
 &= \frac{76\,800 + 60\,000}{860 - (180 + 255 + 155)} \\
 &= 507 \text{ units}
 \end{aligned}$$

5
5

5.3.2. Should the business be satisfied with the label of production? Explain briefly.

No ✓
Business is currently producing less than BEP by 27 units. ✓✓
Business is incurring a loss

3
3

5.3.3. Provide TWO reasons for the increase in Direct Material Cost and suggest ONE way in which the business can control this cost.

Two Reasons:	
• Wastage of raw materials	✓✓
• Supplier increased cost of raw materials	✓✓
How can business control this cost:	
Find a cheaper supplier	✓✓

6
6

Total Marks
50
50

QUESTION SIX:

6.1.1. Why does depreciation not appear on the Cash Budget?

Non cash transaction ✓

1
1

6.1.2. Debtors Collection Schedule for the months January and February 2017

Month	Credit Sales		January	February
November	57 000		8 550	
December	57 500		17 250	8 625 ✓
January	56 000		26 600 ✓	16 800 ✓
February	54 600			25 935 ✓
			52 400 ✓	51 360 ✓

6
6

6.1.3. Calculate the missing amounts indicated by the letters A to H in the Cash Budget for January and February 2017.

	Workings	Answer
A	$54\,600 \times \frac{100}{125} = 218\,400 \checkmark \times \frac{75}{100}$	163 800 ✓
B		51 360 ☑
C	$15\,000 \times 1.15$	17 250 ✓✓
D	$36\,000 \times \frac{100}{60} = 60\,000 \checkmark \times \frac{40}{100}$	24 000 ✓✓
E	$35\,000 \times \frac{97}{100}$	32 010 ✓✓
F	$6\,000 - 500$	5 500 ✓
G	$\frac{40\,000}{1} \times \frac{12}{100} \times \frac{1}{12}$	400 ✓✓
H	$42\,000 \times \frac{100}{105}$	40 000 ✓✓

15
15

6.2.1. Briefly explain the main difference between perpetual and periodic inventory systems.

Perpetual :	
Cost of sales is calculated after each sales transaction	✓
Periodic	
Cost of sales is calculated once at the end of the year	✓

2
2

TRADING ACCOUNT

		Opening stock	60 000✓			Sales (520 000- 15 000✓- 2 000✓)	503 000☑
		Purchases (360 000-10 400✓- 1600✓- 2 000✓)	346 000☑			Closing stock	86 300✓
		Carriage on purchases (6 200 + 1 800)	8 000✓✓				
		Profit and loss	175 300☑				
			589 300				589 300

12
12

6.3.1. Identify ONE **problem** in relation to each branch, quoting figures / amounts to support the problem. Offer the owner **advice** on how to solve the problem.

	Problem with figures	Advice
Branch : Umhlanga	<ul style="list-style-type: none"> • Theft occurring. There are 100 PS4 missing. 	<ul style="list-style-type: none"> • Improve internal control • Do regular stock taking and stock checks.
Branch : Ballito	<ul style="list-style-type: none"> • Too much stock on hand • Only 400 out of 1900 have been sold. • Stock will be outdated. 	<ul style="list-style-type: none"> • Order only when required. • Pay manager on a commission basis.
Branch: Pinetown	<ul style="list-style-type: none"> • R 700 000 cash stolen • ✓✓ problem with figures 	<ul style="list-style-type: none"> • Improve internal control • Division of duties • ✓ for advice

9
9

Total Marks
45
45