



GAUTENG PROVINCE
EDUCATION
REPUBLIC OF SOUTH AFRICA

**GAUTENG DEPARTMENT OF EDUCATION
PROVINCIAL EXAMINATION
JUNE 2016
GRADE 11**

ACCOUNTING

TIME: 180 minutes

MARKS: 300

14 pages

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INSTRUCTIONS

1. Answer ALL the questions.
2. Show ALL working in order for part marks to be allocated.
3. Read the instructions of each question carefully and follow them precisely.
4. Non-programmable calculators may be used.
5. All answers must be written in blue ink.
6. Use the information in the table as a guide when answering the question paper. Try NOT to deviate from it.

QUESTION	TOPIC	MARKS	TIME IN MINUTES
1	Bank Reconciliation	60	36 minutes
2	Creditors' Reconciliation	25	15 minutes
3	Asset Disposal	50	30 minutes
4	Partnerships	40	24 minutes
5	Financial Statements	75	45 minutes
6	Analysis and Interpretation of Financial Statements	50	30 minutes
TOTAL		300	180 minutes

QUESTION 1**BANK RECONCILIATION AND INTERNAL CONTROL****(60 marks; 36 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 An internal auditor will want to inspect the Bank Reconciliation Statement at the end of each month. (1)
- 1.2.2 Service fees and interest on overdraft will be debited to bank charges. (1)
- 1.2.3 A cheque that is older than six months will not be cashed by the bank. (1)
- 1.2.4 A post-dated cheque issued in September 2015, but dated February 2016, will only be entered in the Cash Payments Journal in February 2016. (1)

1.3 BANK RECONCILIATION

You are provided with information taken from the records of Sabe Traders for March 2016. The business is owned by M. Sabe.

REQUIRED:

- 1.3.1 Prepare the Cash Receipts Journal and Cash Payments Journal for March 2016. Total only the Bank columns. (36)
- 1.3.2 Prepare the Bank account in the general ledger for March 2016. (8)
- 1.3.3 Prepare a Bank Reconciliation Statement on 31 March 2016. (10)

INFORMATION:

Bank Reconciliation Statement on 29 February 2016	
Debit balance according to bank statement	22 400
Credit outstanding deposit	10 200
Debit outstanding cheques:	
▪ No. 88	3 400
▪ No. 160	1 420
▪ No. 163	6 400
▪ No. 165 (dated April 2016)	3 710
Balance according to bank account	?

Sabe Traders has a current bank account with Mawali Bank

Provisional totals of the bank columns in the Cash Journals on 31 March 2016	
Cash Receipts Journal	31 400
Cash Payments Journal	54 800

A comparison of the bank statement with the Bank Reconciliation Statement on 29 February 2016 shows the following:

- The deposit of R10 200 appears on the bank statement.
- Cheque no. 163 for R6 400 was presented for payment.
- Cheque no. 88 was issued on 15 September 2015 to the Health Welfare Organization as a donation. The organization has been disbanded and the cheque must be cancelled.
- Cheque no. 160 issued to RSA Distributors for stationery appears on the bank statement as R4 120. The amount on 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
B.Boom	R12 400	R9 800	178
C.Mood	R14 200	R11 600	180

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, R8 100
 - Cheque no.176, R8 900 (dated 15 April 2014)
- The Cash Payments Journal reflects a total of R30 700 for cheques issued in respect of salaries.
- Cheque no. 173 issued to Neotel for the monthly telephone account appears in the Cash Payments Journal as R3 280. The amount on the bank statement is R3 240. The amount on the bank statement is correct.
- Cheque no. 170 for R840 issued to BM Garage for fuel was lost in the mail. The cheque must be cancelled and replaced with cheque no. 181. This cheque is still outstanding.
- A stop order for the monthly repayment of a loan with Mawali Bank for R2 000 appears on the bank statement but not in the journal.
- A deposit of R35 000 was made directly into the current account of the business by the owner on 15 March 2016, as his capital contribution.
- An unpaid cheque for R420, received in settlement of an account of R450, appears on the bank statement. The cheque was received from a debtor, M. Lid.
- A deposit of R8 300 for rent was made directly into the current account of the business by the tenant, F. Fun.
- Mawali bank debited the bank account of Sabe Traders with the following amounts:
 - Interest on debit balance, R93
 - Bank charges, R380
- The bank statement shows a favourable balance of R17 367 on 31 March 2016.

QUESTION 2**CREDITORS' RECONCILIATION AND INTERNAL CONTROL (25 marks; 15 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 My Worth Stores made some mistakes and omitted certain transactions in preparing the Creditors' Control Account and the Creditors' List on 30 June 2016. 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 balances on 30 June 2016. (11)

INFORMATION:**Pre-adjustment figures on 30 June 2016**

Creditors' Control Account balance		R153 800
Creditors' List total from the Creditors' Ledger		R168 900
• Stand Traders	R29 200	
• Walk Wholesalers	R95 600	
• Run Stores	R44 100	

ERRORS AND OMISSIONS

- A. A payment of R42 000 to Run Stores was correctly recorded in the Cash Payments Journal but the bookkeeper neglected to post this payment to the creditor's account.
- B. The total of the Creditors' Journal was inaccurately added as R51 150 instead of R61 250.
- C. Credit purchases of merchandise to the value of R13 000, from Stand Traders was incorrectly debited to their account.
- D. A credit balance of R440 from Run Stores' account in the Debtors' Ledger must be transferred to their account in the Creditors' Ledger.
- E. A cheque for R2 000 issued to Stand Traders in settlement of their debt of R2 200 was correctly recorded in the Cash Payments Journal but inadvertently posted to Walk Wholesalers' account. Rectify the error.
- F. The total of the Creditors' Allowance Journal was undercast by R11 000.
- G. Credit purchases of merchandise to the value of R36 600 from Walk Wholesalers were wrongly entered as R63 600 in the Creditors' Journal and posted as such.

QUESTION 3**ASSET DISPOSAL AND INTERNAL CONTROL****(50 marks; 30 minutes)**

You are provided with the following information of Bonanza Traders. The financial year ends on 29 February 2016.

REQUIRED:

- 3.1 Refer to information (A to D).
- 3.1.1 Calculate Depreciation on Equipment sold on 31 August 2016. (2)
- 3.1.2 Calculate the TOTAL Depreciation on Equipment on 29 February 2016. (6)
- 3.2 Draw up the following accounts in the general ledger.
Close off / balance the accounts on 29 February 2016.
- 3.2.1 Equipment Account (5)
- 3.2.2 Accumulated Depreciation on Equipment (8)
- 3.2.3 Asset Disposal (8)
- 3.3 Refer to information (D).
- Complete the missing amounts indicated by * in the Fixed Asset note to the financial statement for the year ended 29 February 2016 in your ANSWER BOOK. (15)
- 3.4 The owner discovered the actual distances travelled far exceed their scheduled points of delivery by 40%. Name THREE control measures that they can introduce to solve this problem. (3x2) (6)

INFORMATION:

- A. Extensions were made to the buildings during the year.
- B. An additional vehicle was bought on 31 August 2015 for R200 000.
- C. On 1 September 2015 old equipment with an original cost price of R80 000 and a book value of R20 000 (28 February 2015) was traded-in against new equipment worth R140 000. After the trade-in, Bonanza Traders still owed the creditor R121 000.

D. NOTE TO FIXED ASSETS

	LAND & BUILDINGS	VEHICLES	EQUIPMENT
Carrying value at beginning	450 000	*	240 000
• Cost	450 000	800 000	510 000
• Accumulated depreciation		(260 000)	*
Movements			
Additions at cost	*	*	*
*		0	*
Depreciation	0	*	*
Carrying value at end	500 000	*	*
• Cost	500 000	1 000 000	*
• Accumulated depreciation	0	(388 000)	*

Depreciation

- | | |
|--|--|
| ▪ Vehicles are depreciated at 20% per annum on book value. | |
| ▪ Equipment is depreciated at 15% per annum on cost price. | |

QUESTION 4**PARTNERSHIPS****(40 Marks; 24 Minutes)**

- 4.1 Read each of the following statements and choose a term/phrase from the table below, that best describes the statement. (5)

finance cost	matching	secondary distribution	reliability
partners' earnings	going concern	limited liability	materiality
primary distribution			

- 4.1.1 Financial statements are prepared on the assumption that a business will continue for the foreseeable future.
- 4.1.2 The income statement is prepared for a specified period.
- 4.1.3 Interest on loan is paid on borrowed funds.
- 4.1.4 In a partnership, net profit is appropriated for salaries, interest on capital, bonus and share in remaining profit.
- 4.1.5 Financial statements should be available as close as possible to the date of the period for which they are prepared.
- 4.2 The following information was taken from the financial records of Extreme Traders, a partnership with A Gifford and N Ndlovu as partners.

REQUIRED:

Use the information provided to complete the following notes to the financial statements.

- 4.2.1 Capital (6)
- 4.2.2 Current account (29)

INFORMATION:

- A** The following balances and totals appeared in the Post-adjustment Trial Balance of Extreme Traders on 29 February 2016.

Capital: Gifford	700 000
Capital: Ndlovu	900 000
Current account: Gifford (1 March 2015)	140 000
Current account: Ndlovu (1 March 2015)	90 000(dr)
Drawings: Gifford	177 800
Drawings: Ndlovu	215 600
Net profit according to the Profit and Loss account	1 285 500

- B** Partner Gifford decreased his capital by R180 000 on 31 August 2015. This was properly recorded. No entry has been made for partner Ndlovu's increase in capital by R250 000 on 1 January 2016.
- C** Trading stock to the value of R10 000 was taken by partner Ndlovu and incorrectly debited to the account of Gifford.
- D** The partnership agreement stipulates the following:
- Both partners are entitled to interest on capital of 9% per annum.
 - Partner Gifford withdrew a total of R546 000 as his salary. This includes his salary for March 2016. Partner Ndlovu is awarded a salary of R350 000 per year.
 - A bonus of R30 000 was awarded to partner Ndlovu during the year.
- E** Gifford's share in the remaining profit is R147 390. Profits are shared in the ratio of 3:2 between Gifford and Ndlovu.

QUESTION 5**FINANCIAL STATEMENTS****(75 Marks; 45 Minutes)**

The information provided concerns Flashgordon Traders for the year ended 29 February 2016.

REQUIRED:

- 5.1 Complete the Income Statement for the year ended 29 February 2016. (50)
- 5.2 The following notes to the financial statements:
- 5.2.1 Trade and other receivables (8)
- 5.2.2 Trade and other payables (17)

INFORMATION:**FLASHGORDON TRADERS****PRE-ADJUSTMENT TRIAL BALANCE AS AT 29 FEBRUARY 2016**

	Fol	DR	CR
BALANCE SHEET ACCOUNTS			
Capital	B1		790 000
Drawings	B2	238 375	
Vehicles	B3	410 000	
Equipment	B4	280 000	
Accumulated depreciation on vehicles	B5		270 000
Accumulated depreciation on equipment	B6		95 000
Fixed Deposit: Nedbank	B7	400 000	
Trading stock	B8	246 800	
Debtors' control	B9	34 560	
Provision for bad debts	B10		2 500
Bank	B11	620 890	
Loan: Nedbank	B12		620 000
Creditors' control	B13		32 000
Creditors for salaries	B14		18 375
UIF	B15		2 000
Pension fund	B16		15 000

NOMINAL ACCOUNT SECTION			
Sales	N1		1 280 000
Cost of sales	N2	642 000	
Debtors' allowances	N3	6 500	
Bad debts recovered	N4		700
Water and electricity	N5	8 900	
Insurance	N6	8 800	
Bad debts	N7	4 300	
Donations	N8	2 400	
Discount received	N9		1 600
Discount allowed	N10	1 800	
Stationery	N11	17 300	
Rent income	N12		79 650
Bank charges	N13	8 410	
Telephone	N14	10 900	
Interest on overdraft	N15	4 800	
Interest on fixed deposit	N16		28 000
Salaries and wages	N17	288 090	
		3 234 825	3 234 825

ADDITIONAL INFORMATION AND ADJUSTMENTS

- A** Before the stock count was done Flashgordon donated stock, bought at a cost price of R1 600, to the primary school. No entry was made.
- B** A physical stock count on 29 February 2016 revealed the following to be on hand:
- Trading stock R236 000
Stationery R3 900
- C** Depreciation for the year totalled, R124 850.
- D** The rent income was increased by R550 per month from 1 January 2016. The rent for March 2016 has already been received.
- E** Commission income due to the business is R15 000.
- F** The telephone account for February 2016 was received but has not been paid, R1 300.

- G** The account for water and electricity for February 2016 from the city council, R1 200, was not paid.
- H** Insurance included a premium of R1 320 paid for the period 1 October 2015 to 30 September 2016.
- I** Write off further bad debts of R560.
- J** Provision for bad debts must be adjusted to R1 800.
- K** Mr Jay, a debtor whose account had previously been written off, deposited R7 200 into the account of the business.
- L** Services fees for the month amounted to R290.
- M** A retired employee was inadvertently included in the salaries journal for February 2016. The details from his payslip were:

	DEDUCTIONS	CONTRIBUTIONS
PAYE	4 500	
Pension fund	1 875	10 % of gross salary
UIF	250	rand-for-rand
Net salary	18 375	

NOTE: All contributions are debited to the salaries and wages account.

- N** On 29 February 2016 the Bank Reconciliation Statement reflected post-dated cheques totalling R7 280 payable in the next financial year.
- O** A cheque issued to a creditor for R1 800 settling our account of R2 000 was dishonoured and sent back by the bank marked R/D.
- P** The loan statement shows the following information on 28 February 2016:

Balance on 1 March 2015	680 000
Interest capitalised	?
Repayments during the year including interest	117 600
Balance on 29 February 2016	620 000

The business will make a capital repayment of R60 000 in the next financial year.

QUESTION 6**ANALYSIS AND INTERPRETATION OF FINANCIAL STATEMENTS****(50 Marks; 30 Minutes)**

- 6.1 Complete each of the following statements by supplying the missing word/s.
Note: Do not re-write the sentences. Write only the missing words. (10)
- 6.1.1 Gross profit on ... is calculated to verify the mark-up.
- 6.1.2 A drop in percentage between gross profit on turnover and operating profit on turnover is mainly caused by
- 6.1.3 Solvency is equal to
- 6.1.4 A fixed deposit that matures on the last day of the financial year will show an improvement in the ... ratio
- 6.1.5 The continuous inventory system requires physical stock-taking to determine

You are provided with information relating to Sea Point Traders for the year ended 29 February 2016. The partners are M Flynn and T Blake.

1) Financial indicators calculated for the past two years.

	2016	2015
% Mark up on cost	75%	75%
% Gross profit on sales	45%	45%
% Operating expenses on sales	47,2%	30%
% Operating profit on sales	18%	22%
% Net profit on sales	15%	17,5%
Solvency ratio	2:1	1:1
Debt/equity ratio	1,3:1	0,9:1
Current ratio	2,1:1	2,1:1
Acid-test ratio	1,2:1	1,2:1
Stock turnover rate	7 times	5 times
% Return on average equity	?	37,5%
% Return earned by Blake	25,5%	30%
% Return earned by Flynn	20,53	24,9%
% Net profit withdrawn by partners	?	45%
Debtors' collection period	55 days	65 days
Creditors' payment period	50 days	40 days

2) Figures from the Financial Statement

	2015	2016
Capital	3 560 000	2 960 000
Blake	1 800 000	1 200 000
Flynn	1 760 000	1 760 000
Current Account	790 000	660 000
Blake	420 000	360 000
Flynn	370 000	300 000
Total Partners' equity	4 350 000	3 620 000

	Blake	Flynn	Total
Earnings per partner 2016			
Partners' Salaries	390 000	290 000	680 000
Interest on Capital	115 000	85 000	200 000
Share of remaining profit	55 000	55 000	110 000
	560 000	430 000	990 000
Drawings	210 000	175 000	385 000

- 6.2 Should the partners be satisfied with the stock turnover rate? Explain by quoting the financial indicators for both years to support your answer. (3)
- 6.3 Comment on the Debtors' Collection period and the Creditors' payment period. (3)
- 6.4 In your opinion, has the business been able to control its operating expenses well in 2016? Quote figures from both years to support your answer. (4)
- 6.5 Supply reasons for the difference between the percentage operating expenses on sales and the percentage net profit on sales. (2)
- 6.6 Calculate the percentage return earned by the business on average equity for 2016. (5)
- 6.7 The percentage return earned by Flynn on his average equity is 20.53%. Provide a calculation to prove that this calculation is correct. (5)
- 6.8 Comment on the percentage return earned by Flynn. Quote a financial indicator for both years to support your answer. (4)
- 6.9 Comment on the debt/equity ratio. Quote a financial indicator for both years to support your answer. (3)
- 6.10 What percentage of the net income did the partners withdraw from the business in 2016? (3)
- 6.11 Comment on the profitability of the business. Quote THREE financial indicators and figures to support your answer. (8)

TOTAL: 300

END