



**NATIONAL SENIOR CERTIFICATE (NSC)**

GRADE 11  
MID-YEAR EXAMINATION

ACCOUNTING  
(NSC11-12)  
D10055619-4

TIME: 09H00 – 12H00

TOTAL: 300 MARKS

DURATION: 3 HOURS

DATE: 4 JUNE 2013

**This question paper consists of 15 pages.**

**INSTRUCTIONS AND INFORMATION**

Read the following instructions carefully before answering the questions:

1. Answer **ALL** the questions.
2. A special ANSWER BOOK is provided in which to answer ALL the questions.
3. Show **ALL** calculations in order for part marks to be allocated.
4. Read the instructions carefully and follow them precisely.
5. Candidates will forfeit marks for:
  - Important dates which are omitted.
  - Use of non-standardised abbreviations
  - Over-writing of figures
  - Superfluous entries / foreign items
6. Non-programmable calculators may be used.
7. No pages must be removed from the answer book.
8. Use the information given in the table below as a guide when answering the question paper and try not to deviate from it.
9. You may use dark pencil or blue / black ink to answer the questions.
10. Please write neatly – we cannot mark illegible handwriting.
11. Any student caught cheating will have his or her examination paper and notes confiscated. The College will take disciplinary measures to protect the integrity of these examinations.
12. If there is something wrong with or missing from your exam paper or your answer book, please inform your invigilator immediately. If you do not inform your invigilator about a problem, the College will not be able to rectify it afterwards, and your marks cannot be adjusted to allow for the problem.
13. This question paper may be removed from the examination hall *after* the examination has taken place.

This question paper consists of **SEVEN** compulsory questions.

Question	Topic	Marks	Time guide
1	Bank reconciliation and Internal Control	48	27 min
2	Creditors reconciliation	14	8 min
3	Disposal of Fixed Assets	44	27 min
4	Financial statements of a partnership: Income Statement	58	33 min
5	Financial statements of a partnership: Notes and Balance Sheet	50	30 min
6	Analysis and Interpretation	52	33 min
7	Internal Control and Ethics	34	22 min
<b>TOTAL:</b>		<b>300</b>	<b>180 min</b>

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**ANSWER ALL THE QUESTIONS****(300 MARKS)**

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**QUESTION 1 – BANK RECONCILIATION (48 MARKS; 27 MINUTES)**

The information given below was drawn from the books of Sabie Traders.

**INFORMATION:**

Sabie Traders compared their bank statement with the July 2013 Bank Reconciliation Statement and the Cash Journals for August 2013 and found the following differences:

1. The bank account in the General ledger showed an unfavourable provisional balance of R9 228 whilst the bank statement showed a debit balance of R5 888 on 31 August 2013.
2. The following outstanding cheques during July 2013 were still not presented to the bank for payment:
  - No. 397 for R420 (dated 05 January 2013 – issued as a donation)
  - No. 499 for R2 960 (dated 20 September 2013)
  - No. 503 for R5 648
3. W Rhino's cheque of R600 appeared unpaid on the bank statement.
4. A deposit of R5 620 on 31 August 2013 does not appear on the bank statement.
5. A deposit of R2 190 was entered in the cash receipts as R2 910. It had been received for sales.
6. A debtor, T Leonardo, transferred R1 000 directly into the account of Sabie Traders in settlement of his account of R1 100.
7. The annual insurance premium in respect of the owner's personal assets was paid by means of a debit order, R1 440.
8. The following cheques have not been presented to the bank for payment:
  - No. 525 for R640 (The cheque was returned by Elephant Traders because they were unable to supply the goods ordered.)
  - No. 537 for R212 (dated 28 August 2013)
  - No. 549 for R1 420 (dated 15 October 2013)
9. Bank charges totaling R80 and interest on debit balances amounting to R60 must be brought into account.

- 10 A cheque no. 538 for R5 820 issued in payment of trading stock was incorrectly recorded in the CPJ as R5 280.
11. A deposit of R4 290 was recorded in the CRJ as R4 190. The error was in respect of rent received.

**You are required to:**

- 1.1 Prepare the **Bank Account** by making entries that you may deem necessary **directly** in the Bank account. Your entries must reflect the name of the correct **contra account**.  
  
Balance the account properly on 31 August 2013. (25)
- 1.2 Prepare the Bank reconciliation Statement on 31 August 2013. (19)
- 1.3 Bank Reconciliations are prepared as a form of internal control over cash.  
  
Give **TWO** other control measures that the business should implement to safeguard its cash. (4) [48]

**QUESTION 2 – CREDITORS RECONCILIATION (14 MARKS; 8 MINUTES)**

La Cherie only has one creditor, SA Clothing, a local manufacturer, from which they buy all their stock. Study the following information, related to their transactions with SA Clothing.

**INFORMATION SUPPLIED:**

1. Statement issued by SA Clothing on 30 July 2012.
2. Creditors' Ledger of La Cherie – the account of SA Clothing.
3. Additional information that needs to be considered.

## 1. Statement issued by SA Clothing on 30 July 2012:

STATEMENT		SA CLOTHING						
<b>La Cherie</b> <b>PO Box 231</b> <b>LOUIS TRICHARDT</b> <b>0901</b>		PO Box 875 POLOKWANE 0900 Tel.: 015 734 3442						
		<table border="1"> <thead> <tr> <th>Account No.</th> <th>Credit Limit</th> <th>Statement Date:</th> </tr> </thead> <tbody> <tr> <td>18474</td> <td>R15 000</td> <td>31 July 2012</td> </tr> </tbody> </table>	Account No.	Credit Limit	Statement Date:	18474	R15 000	31 July 2012
Account No.	Credit Limit	Statement Date:						
18474	R15 000	31 July 2012						
Transactions		Date	Amount	Balance				
Account rendered		01-Jul		9 590				
Return		07-Jul	-270	9 320				
Purchases		12-Jul	980	10 300				
Payment - thank you		17-Jul	-1 500	8 800				
Purchases		26-Jul	3 500	12 300				
Return		28-Jul	-140	12 160				
Purchases		29-Jul	500	12 660				

## 2. Creditors' Ledger of La Cherie:

SA CLOTHING					
Date	Details	Folio	Debit	Credit	Balance
1-Jul	Balance	b/d			9 590
17-Jul	Cheque no 454	CPJ	1 500		8 090
26-Jul	Invoice no 332	CJ		3 500	11 590
28-Jul	Returns	CAJ		140	11 730
29-Jul	Invoice no 337	CJ		5 000	16 730
30-Jul	Cheque no 458	CPJ	8 000		8 730

## 3. Additional information:

After reconciling the statement with the ledger account, the following differences were noted:

- 3.1 SA Clothing had recorded a credit note on 7 July that was not for La Cherie's account.
- 3.2 On 12 July La Cherie stated that they never received the goods that they ordered. On investigation, it was found that SA Clothing had not carried out the order, as they had none of the items in stock at that time.

- 3.3 The bookkeeper of La Cherie had incorrectly recorded the entries on 28 and 29 July 2012.
- 3.4 La Cherie made a payment of R8 000 on 30 July 2012 which SA Clothing has not been recorded.

**You are required to:**

Complete the table in the answer book. Indicate how each of the differences that were discovered would be corrected so that the Creditors' Statement reconciles with the account of SA Clothing in the Creditors' Ledger.

[14]

**QUESTION 3 – DISPOSAL OF FIXED ASSETS (47 MARKS; 27 MINUTES)**

You are provided with information relating to Smart Traders.

**INFORMATION:**

1. Depreciation is provided for as follows:
  - on Vehicles at 20% pa on carrying value
  - on Equipment: R11 400 for the year
  
2. The following balances appeared in the ledger on 1 March 2012:
 

• Vehicles at cost	R880 000
• Accumulated Depreciation on Vehicles	R250 000
• Equipment at cost	R336 000
• Accumulated Depreciation on Equipment	R257 000
  
3. Bought new Equipment on credit for R105 000 on 1 November 2012.
  
4. Paid CarTech the following on 28 February 2013:
  - R8 000 for installing a sound system in the vehicle
  - R3 000 for repairing the air conditioning system in the vehicle.

5. Traded in a motor vehicle at Dube Motors for R32 000. The cost of the new vehicle was R180 000. The balance of R142 000 due to Dube Motors will be paid over 12 months.

Details of the vehicle traded in are as follows:

<b>Fixed Assets Register</b>	
Vehicle: Toyota Carolla	
Date Purchased: 1 May 2009	
<b>Cost Price</b>	<b>R144 000</b>
<b>Accumulated Depreciation</b>	
Depreciation written off annually:	
• 28 February 2010	R24 000
• 28 February 2011	R24 000
• 29 February 2012	R19 200
• 31 December 2012	?
<b>Carrying Value on 31 December 2012</b>	
Sold for	
Profit / Loss on Sale of Asset	

**You are required to:**

- 3.1 Calculate the depreciation on vehicles for the year ended 28 February 2013. (16)
- 3.2 Prepare the Asset Disposal Account on 31 December 2012. (10)
- 3.3 Complete the Tangible Asset Note to the Balance Sheet on 28 February 2013. **Some of the figures are already provided for you.** (18) [44]

**QUESTION 4 – FINANCIAL STATEMENTS OF A PARTNERSHIP:  
INCOME STATEMENT (58 MARKS; 33 MINUTES)**

You are provided with a pre-adjustment list of balances from the ledger of Tantim T-shirts at their year-end. The list is in **alphabetical order**.

The business is a partnership with twin brothers Tando and Timm as partners. They are in their third year at University with both studying towards a B.Com degree. They decided to open this business 18 months ago. They rent a small shop near the university and employ a shop assistant to be on duty full-time, so that they can attend lectures.

Tando and Timm inherited money from their grandmother and used these funds as Capital.

**INFORMATION:****TANTIM T-SHIRTS – LIST OF BALANCES ON 28 FEBRUARY 2013**

Accumulated depreciation on equipment	22 500
Advertising	700
Bad debts	400
Bad debts recovered	150
Bank (DR)	12 100
Capital: Tando	60 000
Capital: Timm	40 000
Commission income	15 850
Cost of sales	205 000
Creditors control	7 900
Current account: Tando (1 March 2012)	(DR) 1 960
Current account: Timm (1 March 2012)	(CR) 2 200
Debtors allowances	6 000
Debtors control	5 400
Delivery expenses	1 700
Donations	300
Drawings: Tando	24 000
Drawings: Timm	34 000
Equipment	62 000
Insurance	6 300
Interest on current bank account	200
Interest on investment	830
Interest on overdue debtors	100
Interest on loan	3 000
Loan from SureBank (15% p.a.)	30 000
Medical Aid contributions	4 840
Packing material	4 200
Provision for bad debts	210
Rent expense	8 800
Salary to shop assistant	50 000
Sales	366 000
Savings account: SureBank	6 000
Sundry expenses	4 410
Trading inventory	104 000
Trading inventory deficit	330
UIF contributions	500

**ADJUSTMENTS AND ADDITIONAL INFORMATION:**

1. T-shirts have been donated to the local children's home, R260 (cost price) and Tando has taken shirts to the value of R370 on cost to use as Christmas presents.
2. According to a stock-taking, the following were on hand at year-end:
  - Trading Inventory, R86 800
  - Packing Material, R560



3. One month's rent is still owing at year-end. Tantim T-Shirts have paid for repairs to the roof, R290 and this has been debited to the Sundry expenses account in error. As the landlord is responsible for the repairs, the R290 will be deducted from the next rental payment.
4. The Salaries Journal for February has not yet been posted to the ledger. The totals are:
  - Gross salary, R5 000
  - PAYE deduction, R700
  - Medical Aid deduction, R440
  - UIF deduction: R50
  - The employee has not yet been paid. The business contributes on a Rand-for-Rand basis towards the Medical Aid fund and UIF.
5. Insurance includes an amount of R1 560 for the period 1 October 2012 to 20 September 2013.
6. Provide for interest still owed on the loan. In terms of this loan agreement, the interest must be paid monthly, but the partners have forgotten to make some of the payments. The loan is repaid in lump sums of R10 000 on 30 June each year. The last loan repayment on 30 June 2012 was recorded on the due date. (Interest is not capitalised).
7. The water and electricity account was still outstanding on 28 February 2013, R395. This is regarded as a sundry expense.
8. Commission of R740 relates to the next accounting period.
9. A debtor with a credit balance of R800 is to be transferred to the Creditors Ledger.
10. The debtor R Pule, R150, must be written off. Thereafter the provision for bad debts is to be adjusted to 5% of the book debts.
11. Timm contributed additional capital in the form of equipment valued at R10 000 on the last day of the financial year. This has not yet been recorded.
12. An amount of R2 500 has been transferred directly into the account of Tantim T-shirts but no entry had been made. This was from S Green who purchased old equipment from the business on 28 February 2013. The details relating to this equipment are:
  - Cost price, R8 000
  - Accumulated depreciation to 28 February 2012, R4 720
  - Depreciation rate, 10% p.a. on the diminishing balance.

13. Depreciate all equipment by 10% on the diminishing balance method.
14. The partnership agreement stipulates the following:
  - Salary allowance to Tando, R50 000
  - Salary allowance to Timm, R30 000
  - Interest on capital at 10% p.a.
  - Remaining profits or losses to be shared in proportion to the capital balance at the beginning of the year.

**You are required to:**

Complete the Income statement of Tantim T-shirts on 28 February 2013.  
**(Round off to the nearest rand where necessary.)**

[58]

**QUESTION 5 – FINANCIAL STATEMENTS OF A PARTNERSHIP: NOTES AND BALANCE SHEET (50 MARKS; 30 MINUTES)**

The information provided below relates to Brangelina Traders. The business is a partnership owned by Brad and Angelina.

**INFORMATION:**

1. Extract from the Trial Balance on 28 February 2013	
Capital: Brad	400 000
Capital: Angelina	400 000
Current Account: Brad [1 March 2012]	Dr 22 000
Current Account: Angelina [1 March 2012]	Cr 15 000
Drawings: Brad	?
Drawings: Angelina	?
Loan: Pax Bank	?
<b>Fixed Assets at Carrying Value</b>	<b>1 002 000</b>
Fixed Deposit: Zahara Bank	110 000
Bank Overdraft	46 000
Cash Float	5 000
Inventories	?
Trade and Other Receivables	?
Creditors' Control	172 000
SARS: PAYE	20 000

**2. Information pertaining to partners' earnings and drawings**

- Angelina earns a salary of R12 000 per month whilst Brad earns 25% more than Angelina.
- Brad increased his capital by R100 000 on 1 December 2012 and this has been properly recorded. Interest on capital is calculated at 9% p.a.

- Remaining profits are shared between Brad and Angelina in the ratio 3:2 respectively. The remaining profit earned by Angelina was R240 000 after all adjustments were done and the internal audit was concluded.
- Angelina withdrew 75% of her earnings for the current financial year.
- Brad has a personal cash flow problem. In consultation with Angelina, he withdrew as much as possible, leaving a positive balance of R50 000 in his current account at the end of the year.

**3. Additional information**

- Information from the loan statement received from Pax Bank for the year ended 28 February 2013:
  - Balance on 1 March 2012 R360 000
  - Interest charged (capitalised) R 45 600
  - Monthly repayments recorded the year R 5 300
  - It is estimated that during the next twelve months, the capital amount of the loan will decrease by R22 000.
- There are two Fixed Deposits at Zahara Bank:
  - A fixed deposit for R80 000 that will mature on 30 June 2014
  - A fixed deposit for R30 000 that will mature on 30 June 2013
- On 28 February 2013, the following indicators were determined:
  - The current ratio was 1,8 : 1
  - The acid test ratio was 0,7 : 1

**You are required to:**

- 5.1 Complete the Current Account note to the Balance sheet on 28 February 2013. (18)
- 5.2 Prepare the Balance Sheet on 28 February 2013. The notes are not required. **(Show your workings in brackets on the face of the Balance Sheet.)** (32) [50]

**QUESTION 6 – FINANCIAL STATEMENTS OF A PARTNERSHIP:  
RATIOS AND INTERPRETATIONS (52 MARKS; 33 MINUTES)**

You are provided with information extracted from the financial statements of **Hip2B<sup>2</sup>**. Partners Mathew Green and Mathew Brown started their business in 2010.

**INFORMATION:**

**Extract from the Income Statement for the year ended 28 February 2013:**

	2013	2012
Sales	570 000	600 000
Cost of Sales	380 000	450 000

**Extract from the Balance Sheet on 28 February 2013:**

	2013	2012
Non-current assets	690 000	459 000
Current assets	160 000	145 000
<b>TOTAL ASSETS</b>	<b>850 000</b>	<b>604 000</b>
Owners' Equity	420 000	234 000
Capital: Green	200 000	160 000
Capital :Brown	200 000	80 000
Current account: Green	(Cr) 8 000	(Cr) 2 000
Current account: Brown	(Cr) 12 000	(Cr) 8 000
Non-current liabilities	360 000	280 000
Current liabilities	70 000	90 000
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>850 000</b>	<b>640 000</b>

**Additional information**

- The net profit for the year amounted to R58 000.
- The Trading stock account for 2013 was R100 000 and 2012, R60 000
- The following financial indicators were calculated for 2012:

Ratio	Results
Return earned on partner's equity	24%
Return earned by partner: Green	26%
Return earned by partner: Brown	23%
Debt equity ratio	1,2 : 1
Current ratio	1,6 : 1
Acid-test ratio	0,6 : 1
Turnover rate of stock	9 times
Gross profit percentage on cost of sales	33 1/3 %

- The interest rate on the loan from Standard Bank is 21% p.a. and the interest paid during the current year amounted to R57 600.
- Partner Green earned a total of R37 000 for the year 2013.

**You are required to:**

- 6.1 Calculate the percentage return earned by the business for 2013. (4)
- 6.2 Calculate the percentage return earned by Green for 2013. (4)
- 6.3 Comment on the above ratios. (4)
- 6.4 Calculate the debt equity ratio for 2013. (4)
- 6.5 In your opinion was it a good idea to increase the loan? Motivate your answer. (5)
- 6.6 Calculate the average rate of stock turnover for 2013. (3)
- 6.7 Did the business change its policy in setting its price? Explain using an appropriate calculation. (8)
- 6.8 What effect did this business policy have on the financial results of the business for 2013? (6)
- 6.9 Calculate the current ratio for 2013. (3)
- 6.10 Calculate the acid-test ratio for 2013. (5)
- 6.11 Comment briefly on the liquidity position of the business for 2013. Mention **THREE** points. (6) [52]

**QUESTION 7– INTERNAL CONTROL AND ETHICS (34 MARKS; 22 MINUTES)**

- 7.1 Read the following extract and answer the questions that follow.

Vusi Dlamini has been appointed as an internal auditor at Decor & Design. He is very excited about this post and looks forward to any challenges that he may face. He understands that the role he has to play at Decor & Design is important and vital for the effective and efficient running of the business.

The process that he must undertake will involve several aspects of internal auditing. One important aspect is compliance to rules and regulations. As internal auditor, he supports the internal control and ethical processes instated by Decor & Design. They have ensured proper risk assessment, tracking, recording and filing of documentation. They have also complied with transparency and rules and regulations in the architectural field and maintained sustainability.

Vusi, however, wants to implement a state-of-the-art computer system so as to ensure transformation, uniformity between the departments and the elimination of errors and inconsistencies.

- 7.1.1 Which organisation must an internal auditor be affiliated to? (1)

- 7.1.2 Briefly describe the role that internal auditors play in a business. (2)
- 7.1.3 Transparency and sustainability are important values for ethical behaviour. Name and briefly explain **TWO** other important values in ethical behaviour. (4)
- 7.1.4 The extract speaks about ethical behaviour. In your own words, explain what a code of ethics is, why it is needed and what should be included in a code of ethics. (4)
- 7.1.5 Mention and describe two important internal control processes that Vusi needs to undertake at Decor & Design. (4)
- 7.1.6 Do you agree with Vusi that the business needs an excellent computer system. Provide **TWO** points to support your point of view. (3)
- 7.2 Read through the case study below and answer the question that follows:



Gugu Malope has opened a *laundromat (Gugu's Laundry)* in Meyerton, south of Johannesburg. She has eight washing machines and six tumble dryers in her laundromat. All are coin-operated and therefore 'self-service'.

Gugu works full-time as a teacher, so she has employed four ladies to run the business. She leaves money in a petty cash box in case the ladies need to purchase any detergents, as she also runs a 'drop off and collect' laundry service. She has not placed any particular worker in charge of the petty cash, but has simply asked them to always make a note when they take money out of the box.

Gugu also leaves a certain amount of cash at the laundromat in the form of coins, in case customers need change to operate the machines. The amount she leaves is not fixed and she does not record the amount either.

## Accounting

The business also offers an ironing service, where customers can drop off clothes and collect them a day later after they have been ironed.

Gugu has asked the ladies to always fill out a receipt when customers pay them, but no record is kept of how many customers use the ironing service and she is not sure whether the ladies are receipting all the money that is received.

Identify **FOUR** weaknesses in Gugu's internal control system. Give suggestions as to what internal control procedures she needs to put in place so that all the identified weaknesses can be addressed and her business can run as efficiently as possible.

(16) [34]

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**GRAND TOTAL: 300 MARKS**

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