



NATIONAL SENIOR CERTIFICATE (NSC)

GRADE 11
FINAL EXAMINATION

ACCOUNTING
(NIT-34)

TIME: 09H00 – 12H00

TOTAL: 300 MARKS

DURATION: 3 HOURS

DATE: 18 OCTOBER 2012

This question paper consists of 14 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 on the following page 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.

Accounting

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

QUESTION 1: 25 marks; 15 minutes	
The topic of the question is:	The learning outcomes covered are:
Bank reconciliation	LO1 Financial accounting AS4 Analyse and interpret reconciliations.
QUESTION 2: 34 marks; 20 minutes	
The topic of the question is:	The learning outcomes covered are:
Periodic inventory (stock systems)	LO1 Financial accounting AS4 Analyse and interpret reconciliations.
QUESTION 3: 60 marks; 36 minutes	
The topic of the question is:	The learning outcomes covered are:
Clubs (Membership fees, Club Jersey, interest on loan account)	LO3 Management accounting AS4 Analyse and interpret.
QUESTION 4: 60 marks; 36 minutes	
The topic of the question is:	The learning outcomes covered are:
Partnership – financial statements	LO1 Financial information AS5 Prepare financial statements
QUESTION 5: 31 marks; 19 minutes	
The topic of the question is:	The learning outcomes covered are:
Partnership – interpretation and analysis	LO1 Financial information AS5 Prepare & interpret financial statements
QUESTION 6: 55 marks; 33 minutes	
The topic of the question is:	The learning outcomes covered are:
Manufacturing Production cost and problem solving)	LO2 Managerial accounting AS2 Prepare, analyse & report cost information
QUESTION 7: 35 marks; 21 minutes	
The topic of the question is:	The learning outcomes covered are:
VAT control and ethics	LO1 Financial accounting AS 7 Apply principles of VAT

ANSWER ALL THE QUESTIONS**(300 MARKS)****QUESTION 1 – BANK RECONCILIATION (25 MARKS; 15 MINUTES)****You are required to:**

Analyse the following transactions of Gauteng Traders for May 2012, according to the two examples given below.

EXAMPLES:

- (a) The Bank account reflected a credit balance of R2 500 on 1 May 2012.
- (b) A debtor, Solly Khan, deposited R800 for rent directly into the current account of Gauteng Traders. No entry has been made in the books of Gauteng Traders.

No.	Bank Account in General Ledger		Bank Reconciliation Statement	
	Debit	Credit	Debit	Credit
(a)		2 500		
(b)	800			

TRANSACTIONS:

The accountant of Gauteng Traders compared the Bank Statement for May 2012 with the Cash Journals for May 2012 and the Bank Reconciliation Statement for April 2012. The following were found:

1. The Bank Statement reflected an unfavourable balance of R3 000 on 31 May 2012.
2. The Bank Statement showed service fees of R270 that did not appear in the Cash Journals.
3. A cheque drawn by a debtor, J Nel, for R200, was dishonoured by the bank due to insufficient funds. This transaction appeared only in the Bank Statement.
4. A deposit of R6 000, made on 30 May 2012, appeared in the books of the business, but not in the Bank Statement.
5. Cheque No. 398 for a monthly insurance premium of R250, issued during April 2012 to Belhar Insurers, was lost in the post. On 31 May 2012 it was decided to stop payment of the cheque, cancel it and replace it with a new cheque, No. 440 (dated 1 June 2012) to pay the insurance premiums for both April 2012 and May 2012.

6. Cheque No. 439, issued to Jaco Stationers on 2 May 2012 as payment for stationery purchased for cash, was entered in the Cash Payments Journal as R884. On the Bank Statement the amount of the cheque appeared correctly as R848. This error must be corrected.
7. The Bank Statement showed a debit order in favour of SJF Bank. This amount was the final instalment of the loan, R8 500, plus the interest on the loan for 12 months at 15% p.a.

[25]

QUESTION 2 – PERIODIC INVENTORY (34 MARKS; 20 MINUTES)

The owner of One Stop Hardware Shop, H Porta, uses the **periodic inventory system**. He maintains a mark-up of 20% on the cost price. The turnover rate of stock for the year ended 28 February 2011 amounted to 3 times per year.

On the advice of his accountant, he aimed to increase the turnover rate of stock for the financial year ended on 28 February 2012.

INFORMATION

1. Balances on 28 February 2012:

	R
Trading stock (28 February 2011)	262 860
Purchases	1 418 580
Carriage on purchases	58 524
Sales	1 560 438

2. The physical stocktaking was completed on 26 February 2012. According to the stocktaking, the trading stock on hand amounted to R208 836. The following transactions were recorded in the books and must be taken into account in determining the final stock:
 - February 27: Trading stock bought on credit from Metro Suppliers, R42 000
 - February 28: Goods with a cost price of R12 720 sold for cash at R13 992
3. Trading stock with a cost price of R4 080 was received and brought into account in the stocktaking. The invoice was not received and the transaction was not entered in the books.
4. Trading stock (selling price R4 500, cost price R3 000) was donated to the local child welfare association before the stocktaking took place. This transaction has not yet been recorded in the books, but was taken into account in the stocktaking.

You are required to:

- 2.1 Calculate the cost of sales for 2012. (15)
- 2.2 Calculate the turnover rate of stock for 2012. (6)
- 2.3 Briefly explain why profitability of a business can be increased if the rate of stock turnover increases. (3)
- 2.4 List **THREE** other ways of increasing the profits of a business. (6)
- 2.5 List **TWO** ways of increasing the turnover of a business. (4) [34]

QUESTION 3 – CLUBS (60 MARKS; 36 MINUTES)

The accounting period of the Falcon Rugby Club ends annually on 31 December.

INFORMATION

Extract of some of the amounts from the Balance Sheet at 31 December 2011	
R	
Rugby jerseys on hand (13 at a cost of R100 each)	1 300
Loan: X-Bank (16½% p.a.)	40 000
Accrued income (Membership fees)	1 000
Income received in advance (Membership fees)	600
Accrued expenses (Interest on loan)	1 100

Extract from the Statement of Receipts and Payments for the year ended 31 December 2012			
RECEIPTS		PAYMENTS	
Membership fees: 2011	800	Rugby jerseys (deposit)	1 200
2012	16 000	Loan: X-Bank (30/4/12)	10 000
2013	400	Interest on loan	?
Rugby jerseys (sales)	5 824		
Loan: X-Bank (16½%) (1/8/12)	15 000		

ADDITIONAL INFORMATION

1. The secretary is entitled to an honorarium of R300 for 2012. Instead of being paid the honorarium in cash the secretary took a rugby jersey costing R100 for personal use. The balance of R200 was set off against the membership fees owed by him for 2012. The committee agreed to this arrangement.

2. The interest on the loan is payable quarterly on 31 January, 30 April, 31 July and 31 October.
3. Membership fees are levied at R200 per member. The outstanding membership fees for 2011 must be written off. For 2012, the club has 90 registered members on its books. Some membership fees for 2012 are still outstanding.
4. Dadidas Sports manufactured 60 rugby jerseys for the club for 2012 at a cost of R100 each. It was agreed to pay a deposit of 20% with the order. Rugby jerseys are sold at a profit margin of R12 on cost. During the year, 52 jerseys were sold for cash, while 10 jerseys were sold on credit to members. Two rugby jerseys were presented to the captain and manager of the national rugby team at the annual award ceremony of the club.

You are required to:

Use the information given above to prepare the following accounts in the club's ledger for the financial year ended 31 December 2012.

3.1	Membership fees	(22)	
3.2	Rugby jerseys	(25)	
3.3	Interest on loan	(13)	[60]

QUESTION 4 – PARTNERSHIP: FINANCIAL STATEMENTS (60 MARKS; 36 MINUTES)

The financial year of FLY-FISH Store (partners S Fly and G Fish) a general dealer in fishing equipment ends on 28 February 2012 annually.

EXTRACT FROM THE PREADJUSTMENT TRIAL BALANCE ON 28 FEBRUARY 2012

BALANCE SHEET ACCOUNT SECTION	DEBIT	CREDIT
Capital: S Fly (28 February 2012)		375 000
Capital: G Fish (28 February 2012)		375 000
Current Account: S. Fly (1 March 2011)	12 600	
Current account: G Fish (1 March 2011)		30 200
Drawings: S Fly	25 100	
Drawings: G Fish	2 000	
Land and buildings	1 200 000	
Mortgage bond		410 000
Vehicles (two identical vehicles of R130 000 each)	260 000	
Accumulated depreciation on vehicles (1 March 2011)		156 000
Equipment	90 000	
Accumulated depreciation on equipment (1 March 2011)		30 100
Trading stock	82 000	
Debtors control	43 100	
Provision for bad debts		2 155
Fixed deposits	45 200	
NOMINAL ACCCOUNTS SECTION		
Sales		1 216 300
Cost of sales	668 000	
Debtors allowances	14 300	
Packing material	22 900	
Bad debts	400	
Interest on fixed deposit		4 000
Rent income		51 000
Salaries and wages	99 750	
Insurance	25 200	
Sundry expenses	?	

ADDITIONAL INFORMATION

- The following stock was on hand according to physical stock taking on 28 February 2012: Trading stock R80 900 and Packing materials R2 400.
- It was decided to write off J Trout's debt of R350 as irrecoverable.
- Adjust the provision for bad debts to 6% of outstanding debts.
- The insurance for March and April was paid in advance.
- Depreciation on equipment amounts to R5 999 for the year.

6. Depreciation on vehicles at 20% p.a. on fixed instalment method. Note that the business sold one of the two identical vehicles on 30 November 2011 for cash R40 000. No entries were made.
7. One of the fixed deposits matured. An amount of R64 800 was received from the bank including interest of 8% p.a. for the financial year. The entire amount has been credited to the fixed deposit account. This must be corrected.
8. The mortgage bond statement for the year reflected the following:
 - Balance of the bond at the beginning of the year: R490 000
 - Balance of the bond at the end of the year: R410 000
 - Monthly repayments (12 × R11 920)
 - Interest for the year has not been recorded in the books.
9. The tenant has paid rent only for ten months. However, he has informed Fly-Fish Store that he has personally paid R12 000 for repairs to the roof. This amount is to be offset against his outstanding and future rental payment.
10. The operating profit on sales is 28%.
11. The partnership agreement makes provision for the following:
 - 11.1 Partners are entitled to interest on capital at 7% p.a. S Fly increased his capital by R25 000 on 1 September 2011. This has been properly recorded.
 - 11.2 The partners receive the following monthly salaries respectively:
 - S Fly R10 400
 - G Fish R12 000
 - 11.3 The remaining profits are shared between Fly and Fish in the ratio 3 : 2 respectively.

You are required to:

- | | | |
|--|------|------|
| 4.1 Calculate the profit or loss on the asset disposal of the vehicle (See additional information number 6). | (5) | |
| 4.2 Prepare the income statement for the year ended 28 February 2012. | (44) | |
| 4.3 Prepare the appropriation account. | (11) | [60] |

**QUESTION 5 – PARTNERSHIP ANALYSIS AND INTERPRETATION
(31 MARKS; 19 MINUTES)**

You are provided with information from the financial statements of NZ Traders. The business is owned by two partners NKOSI and ZAMA.

INFORMATION

Extract from the Income Statement for the year ended 28 February 2012

	2012 R	2011 R
Sales	745 500	630 800
Cost of sales	426 000	380 000

Extract from the Appropriation Statement for the year ended 28 February 2012:

- Net profit for the year R152 000
- Total amount earned by Nkosi R103 000
- Total amount earned by Zama R 49 000

Extract from the Balance Sheet on 28 February 2012 with comparative figures

	2012 R	2011 R
Partners Equity	473 710	324 150
Capital :Nkosi	275 000	200 000
Capital :Zama	200 000	125 000
Current account : Nkosi	(dr) 45 690	(cr) 2 350
Current account Zama	(cr) 23 400	(dr) 1 200
Non Current Liabilities (13%)	94 840	114 000
Current liabilities	66 800	48 420
TOTAL EQUITY AND LIABILITIES	635 350	488 570
TOTAL CURRENT ASSETS	113 560	121 050

Financial indicators calculated on 28 February 2012 with comparative figures

	2012	2011
Gross profit on cost of sales	75.0%	65.0%
Current ratio	?	2.5 : 1
Acid test ratio	0,6 : 1	0,8 : 1
Debt equity	?	0,35 : 1
Return on capital employed	32.8%	30,5%
% Return owned by Nkosi	?	34,4%

You are required to:

Study the information given above and answer the following questions.

5.1 Calculate the following financial indicators

5.1.1 Percentage net profit on sales (5)

5.1.2 Current Ratio (5)

5.1.3 Debt / equity ratio (5)

5.1.4 Percentage return earned by NKosi on his average equity (5)

5.2 Comment on the following ratio:

5.2.1 Current ratio and acid test ratio (6)

5.2.2 Debt equity ratio (3)

5.3 Why is Zama's return less than that of Nkosi? (2) [31]

QUESTION 6 – MANUFACTURING (55 MARKS; 33 MINUTES)**INFORMATION**1. **Stock on hand on 1 January 2011:**

	R
Raw materials	64 000
Work-in process	44 000
Factory indirect materials	3 200
Finished goods (480 jerseys)	48 000

2. **Stock on hand on 31 March 2011:**

	R
Raw materials	103 650
Work-in process	34 000
Factory indirect materials	4 300
Finished goods (800 jerseys)	?

3. **Direct labour:**

- 12 Employees worked on the manufacturing of the soccer supporter jerseys for the three months.
- There were 61 working days in the three month period and each worker worked 8 hours a day at a rate of R20 per hour.
- Due to the pressure of completing an order by the 1 April, 8 of the workers worked 2 hours overtime per day for the last 5 days at double pay.

- Employment benefits:
 - each worker receives R100 per month travelling allowance
 - employers contributions to the Pension Fund, paid on behalf of the employees amounted to R12 500 for the period

4. **Rent of premises:**

- Rent amounts to R10 m² per month
- Rent must be divided between the various divisions in the ratio of the floor space occupied: factory 500 m², office 50 m², showroom 200 m²

5. **Other transactions for the three months ended 31 March 2011:**

	R
Raw materials bought on credit	290 000
Raw materials bought for cash	300 000
Carriage on purchases of raw materials	10 200
Returns of and allowances of raw materials	21 200
Salaries: Factory supervisor	46 000
Salaries: Office workers	84 000
Commission to sales persons	52 000
Indirect materials purchased for the factory	18 030
Electricity: Office	1 390
Electricity: Showroom	1 270
Electricity: Factory	11 550
Factory maintenance	4 500
Depreciation: Factory Machinery	6 500
Depreciation: Office Equipment	1 250
Sales (6 430 soccer supporter jerseys)	1 671 800

You are required to:

- 6.1 Match the cost in Column A with the applicable description in Column B:

COLUMN A	COLUMN B
6.1.1 direct materials cost	A. depreciation on office photocopying machine
6.1.2 factory overheads cost	B. UIF contribution paid for factory machinist
6.1.3 direct labour cost	C. insurance on factory equipment
6.1.4 selling and distribution cost	D. fabric bought from Delicate Weavers
6.1.5 administration cost	E. entertainment allowance allocated to the sales agent

(10)

- 6.2 Calculate the Direct Labour Cost for the three months ended 31 March 2011. (13)
- 6.3 Prepare the following Ledger accounts:
- 6.3.1 Direct Materials Stock (8)
- 6.3.2 Factory Overhead Cost (9)
- 6.4 Calculate the unit cost of production for the three months ended 31 March 2011. (7)
- 6.5 In the hope of increasing sales and cutting costs Livingstone Manufacturers have recently started importing most of their fabric from China as it is not only cheaper but also of a better quality than fabric produced locally. The Clothing and Textile Trade Union have expressed their unhappiness about this company not supporting local industries and are threatening protest action.
- 6.5.1 List **TWO** aspects Livingstone Manufacturers should consider before changing from local suppliers. (4)
- 6.5.2 List **TWO** ways in which Livingstone Manufacturers could use their increased profits in an ethical way that will satisfy both management and the unions. (4) [55]

QUESTION 7 – VAT CONTROL AND ETHICS (35 MARKS; 21 MINUTES)

- 7.1 What is the difference between Output VAT and Input VAT? (4)
- 7.2 At what rate is VAT currently being charged in South Africa? (2)
- 7.3 Is the current rate of VAT being charged on all goods in South Africa? Explain and give examples. (5)
- 7.4 Why is it important for a vendor not to evade VAT and what is the consequence if a vendor evades tax? (4)

- 7.5 From the information given below, calculate the amount owed to SARS. Show ALL your calculations. (All amounts include VAT),

Transactions for February 2012:

	R
Credit sales according to Invoice Nos. 24 – 87 issued	37 821
Cash sales according to cash register rolls	22 965
Redundant computer sold	2 500
Insurance claim paid out on stolen delivery truck	40 000
New computer bought (for office use) on credit	12 000
Trading stock bought and overheads paid per cheque	20 000
Credit notes issued	1 580

(20) [35]

GRAND TOTAL: 300 MARKS
