



NATIONAL SENIOR CERTIFICATE (NSC)

GRADE 11
FINAL EXAMINATION
ACCOUNTING
(NSC11-12)

TIME: 09H00 – 12H00

TOTAL: 300 MARKS

DURATION: 3 HOURS

DATE: 17 OCTOBER 2013

This question paper consists of 16 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: 30 marks; 18 minutes
The topic of the question is: Debtors' reconciliation and Internal Control
QUESTION 2: 54 marks; 32 minutes
The topic of the question is: Clubs
QUESTION 3: 45 marks; 27 minutes
The topic of the question is: Fixed Assets
QUESTION 4: 50 marks; 30 minutes
The topic of the question is: Manufacturing
QUESTION 5: 50 marks; 30 minutes
The topic of the question is: Budgets
QUESTION 6: 40 marks; 24 minutes
The topic of the question is: Partnerships, Ledger and Ratio Analysis
QUESTION 7: 31 marks; 19 minutes
The topic of the question is: VAT

ANSWER ALL THE QUESTIONS**(300 MARKS)****QUESTION 1 DEBTORS' RECONCILIATION AND INTERNAL CONTROL
(30 MARKS; 18 MINUTES)**

You are provided with information relating to Dixy Traders. The inexperienced bookkeeper had made some errors when reconciling the Debtors' Control account to the Debtors' List.

INFORMATION:

- A. The Debtors' Control account differed from the Debtors' List by R12 940.
- B. The following is a summary prepared on 31 July 2013:

Balance on the Debtors' Control account	R141 326
Total of the Debtors' List	154 266
Cogill Suppliers	110 946
Woodman Traders	35 200
Chetty Stores	1 320
Phumlazi Traders	6 800
Difference	R12 940

C. Errors and additional information

- Cogill Suppliers claim they paid R13 200 last month, but this is not reflected on their statement. Investigations revealed that Cogill Suppliers payment had incorrectly been posted to the account of another debtor, Woodman Traders.
- A credit note of R6 160 was incorrectly reflected in the Debtors' Ledger account of Cogill Suppliers as a debit entry. The General Ledger is correct.
- Cogill Suppliers issued a cheque for R5 500 in settlement of their account of R6 200. This had been dishonoured by the bank. The cancellation of the discount was not reflected in the Debtors' Ledger account. The Debtors' Control account is correct.
- Interest had been incorrectly calculated on the account of Woodman Traders. Adjust for an additional amount of R330 for interest.
- VAT at 14% was omitted on an invoice issued to Woodman Traders, dated 30 June 2011. Total sales, excluding VAT, amounted to R33 000.

- Phumlazi Traders appears in both the Debtors' and Creditors' Ledger. Their credit balance of R4 248 in the Creditors' Ledger must be offset against their account in the Debtors' Ledger.
- The debt of a debtor, Chetty Stores, R1 320 had been written off as irrecoverable. The amount was posted to the Debtors' Control account but not to the debtors' personal account.

You are required to:

- 1.1 Explain to the bookkeeper why the balance of the Debtors' Control account should always be equal to the total of the Debtors' List. (4)
- 1.2 Prepare the correct Debtors' List on 31 July 2013 and show how the Debtors' Control account would be adjusted using the format provided. (26) [30]

QUESTION 2 CLUBS (54 MARKS; 32 MINUTES)

2.1 LEDGER ACCOUNTS

INFORMATION:

GENERAL LEDGER OF SUNNYSIDE SOCIAL CLUB – MEMBERSHIP FEES

<p>2013</p> <table style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 10%;">Jan 01</td> <td style="width: 70%;">Accrued Income</td> <td style="width: 20%; text-align: right;">260</td> </tr> <tr> <td>Dec 31</td> <td>Income received in Advance</td> <td style="text-align: right;">390</td> </tr> <tr> <td></td> <td>Bank</td> <td style="text-align: right;">35</td> </tr> <tr> <td></td> <td>Income and Expenditure</td> <td style="text-align: right;">7 150</td> </tr> <tr> <td></td> <td></td> <td style="text-align: right;"><u>7 835</u></td> </tr> </table>	Jan 01	Accrued Income	260	Dec 31	Income received in Advance	390		Bank	35		Income and Expenditure	7 150			<u>7 835</u>	<p>2013</p> <table style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 10%;">Jan 01</td> <td style="width: 70%;">Income received in Advance</td> <td style="width: 20%; text-align: right;">195</td> </tr> <tr> <td>Dec 31</td> <td>Bank</td> <td style="text-align: right;">7 025</td> </tr> <tr> <td></td> <td>Membership fees written off</td> <td style="text-align: right;">130</td> </tr> <tr> <td></td> <td>Refreshments</td> <td style="text-align: right;">30</td> </tr> <tr> <td></td> <td>Accrued Income</td> <td style="text-align: right;"><u>455</u></td> </tr> <tr> <td></td> <td></td> <td style="text-align: right;"><u>7 835</u></td> </tr> </table>	Jan 01	Income received in Advance	195	Dec 31	Bank	7 025		Membership fees written off	130		Refreshments	30		Accrued Income	<u>455</u>			<u>7 835</u>
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ENTRANCE FEES

Dr.	Cr.						
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NOTE:

The Membership Fee is R65 per member per year. Each new member pays an entrance fee of R150 before being accepted as a member. All the new members joined at the beginning of the year and no members resigned from the club.

You are required to:

Study the ledger accounts above and answer the following questions:

- 2.1.1 How many new members joined at the beginning of the 2013 financial year? (3)
- 2.1.2 How many members does the club have, excluding those written off? (3)
- 2.1.3 What will the amount for 'Membership fees' be in the Receipts and Payments Statement? (3)
- 2.1.4 There is an amount of R7 150 on the debit side of the Membership Fees Account. Explain why the contra account of this amount is strictly speaking incorrect and explain what the correct details should be. (3)
- 2.1.5 Give **ONE** possible explanation for the entry of R35 on the debit side of the Membership Fees Account. (2)
- 2.1.6 Give **ONE** possible explanation for the entry of R30 on the credit side of the Membership Fees account. (2)
- 2.1.7 Explain why it is unlikely that there will be an 'Accrued Income' entry in the Entrance Fees Account. (2)

2.2 STATEMENT OF RECEIPTS AND PAYMENTS

The constitution of the Pro Squash Club contains the following stipulations:

1. New members must pay an entrance fee of R80. A quarter of this must be treated as current income and three quarters must be capitalised.
2. Membership fees amount to R120 per member per annum.
3. Membership fees due for a specific year must be paid before 31 October of the following year. If this is not adhered to, the amount due for membership fees must be written off and the name of the member concerned must be removed from the register of members.
4. Depreciation on equipment must be calculated at 10% per annum on the cost price.
5. The club sells badges at cost plus 10%.

**SUMMARY OF TRANSACTIONS FOR THE YEAR ENDED
31 DECEMBER 2013**

1. Ten new members joined the club and all of them paid their entrance fees and membership fees in full.
2. Membership fees:
 - Three members whose membership fees were due on 1 January 2006 paid the amount.
 - Membership fees for the current year were received from 200 members (including the ten new members).
 - Two members paid their membership fees for 2014.
 - Three members had not paid their membership fees for 2013.
 - One member had moved to another club. His membership fees were paid back in full.
3. Stationery purchased by cheque, R500.
Stationery purchased on credit, R700.
Stationery on hand on 31 December 2013, R150.
4. Refreshments purchased and paid for by cheque, R2 312.
Refreshments sold for cash, R4 678.
Refreshments provided to visiting teams at cost, R360.
No refreshments on hand 31 December 2013.
5. Wages paid, R2 640.
6. Affiliation fees paid:
 - 2012 – R450
 - 2013 – R300
7. Equipment purchased on 1 May 2013 and paid by cheque, R4 500. Provide R2 440 depreciation on equipment.
8. Rates paid for the period 1 January 2013 to 30 June 2014, R3 000.
9. A squash tournament was held on 1 April 2013:
 - Cash received, R18 314.
 - Expenses paid by cheque, R9 436.
 - Expenses still due, R4 290.

10. On 1 October R12 000 was invested at 12% per annum on fixed deposit at SA Bank, payable quarterly, R4 000 of this amount was withdrawn from the savings account.
11. Creditors paid by cheque, R700.
12. Interest earned on savings account, R260.
13. Water and electricity paid R1 830 and still due, R260.
14. Club badges purchased by cheque, R840 (12 club badges).
Club badges donated to the secretary of the club as part of his honorarium, R70.
Club badges with a cost price of R700, were sold for cash.
15. A honorarium of R670 to the secretary has been approved but not yet paid.
16. Interest on fixed deposit from SA Bank was received on 31 December 2013.

You are required to:

Prepare the Statement of Receipts and Payments for the year ended 31 December 2013.

(36) [54]

QUESTION 3 FIXED ASSETS (45 MARKS; 27 MINUTES)

You are provided with a partially completed note to the Balance Sheet of Ling Long Traders on 28 February 2011.

ADDITIONAL INFORMATION:

1. Depreciation is written off as follows:
 - Vehicles at 15% p.a. on cost price
 - Equipment at 20% p.a. on diminishing balance method
2. During the year an invoice was received from Pegasus Wholesalers for the following:
 - Repairs R12 000
 - A garage built R50 000

The full amount had incorrectly been debited to repairs.

3. A new bakkie was bought on credit for R180 000 on 1 November 2010. The owner also paid for the installation of a sound system costing R12 000 and for the license of R540.

4. On 31 August 2010 equipment was traded in against new equipment which cost R240 000 at a loss of R12 160. The equipment that was traded in was bought on 1 March 2008 for R160 000.

You are required to:

- 3.1 Use the additional information above to complete the Fixed Asset Note to the Balance Sheet on 28 February 2011. (25)
- 3.2 Prepare the Asset Disposal Account to record the sale of the Equipment. (12)
- 3.3 The owner is not happy that the equipment was sold at a loss. The market value indicates that he should have received R110 000. Provide **TWO** reasons why the loss was incurred and suggest **TWO** measures that could be taken in future to avoid such losses. (8) [45]

QUESTION 4 MANUFACTURING (50 MARKS; 30 MINUTES)

4.1 MULTIPLE-CHOICE QUESTIONS

Four options are provided as possible answers to the following questions. Choose the answer and write only the letter (A. – D.) next to the question number (41.1.1 – 4.1.4) in the ANSWER BOOK.

- 4.1.1 Which **ONE** of the following items will NOT be regarded as an administration cost?
- A. Insurance
 - B. Packing material
 - C. Stationery
 - D. Telephone
- 4.1.2 The wages paid to a factory cleaner will be classified as:
- A. administration cost.
 - B. direct labour cost.
 - C. direct material cost.
 - D. factory overhead cost.
- 4.1.3 Fixed costs per unit are calculated as follows:
- A. Total fixed costs ÷ number of units produced
 - B. Total costs of production ÷ number of units produced
 - C. Total fixed costs × number of units produced
 - D. Prime costs ÷ number of units produced

4.1.4 In order to calculate the break-even point, the following calculation will be used:

- A.
$$\frac{\text{Total fixed costs}}{\text{Number of units produced}}$$
- B.
$$\frac{\text{Total fixed costs}}{\text{Selling price per unit} - \text{Variable cost per unit}}$$
- C.
$$\frac{\text{Total variable costs}}{\text{Selling price per unit} - \text{Fixed cost per unit}}$$
- D.
$$\frac{\text{Total variable costs}}{\text{Fixed cost per unit}}$$
 (8)

4.2. You are provided with information relating to Jessie Jackets for the year ended 29 February 2012. The business is owned by Jessica Randall. They make one type of jacket.

INFORMATION:

1. There was no work-in-process at the beginning or at the end of each financial year.
2. The business produced and sold 4 700 jackets during the year ended 29 February 2012. The selling price is R520 per jacket.

During the previous year 4 200 jackets were produced and sold and the selling price during 2011 was R570. The selling price had to be decreased due to competition from other manufacturers.

3. The following values were taken from the accounting records:

	Type of cost	2012 Cost per unit	2011 Cost per unit
Sales		520,00	570,00
Direct labour cost	Variable	132,00	104,00
Administration cost	Fixed	67,60	75,64
Factory overhead cost	Fixed	85,60	107,00
Selling and distribution cost	Variable	70,00	36,80
Direct materials cost	Variable	155,00	160,00

4. You are provided with the following incomplete general ledger accounts for 2012:

GENERAL LEDGER OF JESSIE JACKETS
Work-in-process stock

2012 Feb	29	Direct materials cost	E.		2012 Feb	29	B.	1 751 220
		Direct labour cost	F.					
		A.	402 320					

Trading account

2012 Feb	29	C.	1 751 220		2012 Feb	29	Sales	G.
		Profit and loss account	H.					

Profit and loss account

2012 Feb	29	Administration cost	J.		2012 Feb	29	Trading account	I.
		D.	329 000					
		Capital (net profit)	K.					

You are required to:

Study the information provided above and answer the following questions:

- 4.2.1 Complete the general ledger accounts by filling in the missing details denoted by **A.** to **D.** and the missing figures denoted by **E.** to **K.** (17)
- 4.2.2 Calculate the following:
- A. Total fixed costs (3)
 - B. Fixed costs per unit (3)
 - C. Variable costs per unit (4)

- 4.2.3 Break-even point:
- A. Calculate the break-even point for the year ended 29 February 2012. (4)
- B. Should Jessica be satisfied with the level of production in the 2012 financial year? Explain briefly quoting figures to support your opinion. (3)
- 4.2.4 Jessica is concerned about the costs for the year.
- A. Identify **ONE** cost that has **NOT** been well-controlled in 2012. Quote appropriate figures/indicators to support your answer and provide a solution to the problem. (4)
- B. Identify **ONE** cost that has been well-controlled in 2012. Quote appropriate figures / indicators to support your answer and provide a possible reason for this. (4) [50]

QUESTION 5 BUDGETS (50 MARKS; 30 MINUTES)

You have been provided with information relating to Clone Linen Traders.

INFORMATION:

- A. All stock is sold for cash and the business operates on a mark-up of 100% on cost price.
- B. A new competitor has opened a store in the area. Mrs Clone suspects that this will cause the sales to decrease. She has therefore decided to introduce a special cash sale during June at a discount of 25%.
- C. **Purchases of stock:**
- 50% of purchase of stock is for cash and 50% on credit
 - The business budgets with the understanding that all stock sold will be replaced during that same month.
 - Creditors are paid within 30 days subject to a 5% discount for prompt settlement.
 - The expected purchases of stock on credit will be:
 - April R180 000
 - May R225 000
 - June R150 000

D. Annual increases:

The following increases will take place with effect from 1 June 2012:

- The wages for the 10 employees will increase by 8%.
 - The manager will receive an increase of R11 250 per month.
 - The rent will increase by 5%.
 - Sundry expenses are expected to increase by 10%.
- E. Rates of R42 000 are payable on 30 April 2012.
- F. Depreciation on equipment will amount to R18 000 per month.
- G. The owner, Mrs Clone, will draw a salary of R20 000 per month in April and May. She will increase this to R40 000 from June onwards.
- H. The business will apply for a loan at Secure Bank on 31 May for R400 000. Interest will be payable monthly at a rate of 15% p.a. commencing on 30 June 2012.
- I. New furniture, costing R600 000, will be bought during April. This will be paid in 3 equal monthly instalments starting on 31 May 2012. The cost of transporting and installing the furniture is R15 000 and is payable immediately.

You are required to:

- 5.1 Explain briefly to Mrs Clone, the owner, what the purpose of preparing a Cash Budget is. (2)
- 5.2 Mention **ONE** item that may appear in the Projected Income Statement but not in a Cash Budget. (1)
- 5.3 Mention **TWO** items that may appear in the Cash Budget but not in the Projected Income Statement. (2)
- 5.4 The accountant had started preparing a Cash Budget. Before she completed this, she resigned to take up a job somewhere else. Use the information provided to complete the Cash Budget for the quarter April to June 2012. (35)

5.5 It has been brought to Mrs Clone's attention that the workers are planning strike action since they heard about the annual increases. Mrs Clone cannot understand why the workers are feeling so dissatisfied. She would like your opinion.

- Provide **ONE** possible reason **FOR** the strike
- Provide **ONE** possible reason **AGAINST** the strike

In each case provide relevant figures from the budget to support your reason. (2 × 3 = 6)

5.6 Mrs Clone is unhappy with the situation reflected in your completed budget which shows a bank overdraft by the end of the period. Provide **TWO** solutions to avoid this overdraft. (4) [50]

**QUESTION 6 PARTNERSHIPS, LEDGER AND RATIO ANALYSIS
(40 MARKS; 24 MINUTES)**

Kenny and Mlamli are partners in a business trading as Kenlam Traders. The financial year ends on 28 February 2011.

INFORMATION:

A. The following balances were extracted from the accounting records:

	28 Feb 2012	28 Feb 2011
Owners' equity	R1 246 625	R1 100 000
Capital: Kenny	R600 000	R500 000
Capital: Mlamli	R600 000	R750 000
Current account: Kenny	R328 750 (Cr)	R80 000 Cr
Current account: Mlamli	R282 125 (Dr)	R220 000 (Dr)
Mortgage loan (20% p.a.)	R240 000	R300 000
Current assets (including inventories)	R65 000	R70 000
Current liabilities	R71 000	R42 000
Inventories (Trading stock)	R28 000	R24 000

B. Additional information for the year ended 28 February 2012:

- Net profit for the year was R490 625.
- Annual salary for Mlamli was R135 000 – this is 50% more than that of Kenny.
- Interest on capital: Kenny R78 750 and Mlamli R106 875
- Drawings for the year: Kenny R135 000 and Mlamli?
- After all above was taken into account, Mlamli's share of the remaining profits amounted to R40 000.

C. The following financial indicators are provided:

	28 Feb 2012	28 Feb 2011
Stock turnover rate	6 times	8 times
Return on capital employed	32,4%	38,9%
Debt equity ratio	?	0,3 : 1
Current ratio	0,9 : 1	1,7 : 1
Acid test ratio	?	1,1 : 1

You are required to:

- 6.1 Prepare the current account of Mlamli on 28 February 2012. Balance the account. (14)
- 6.2 Explain the difference between liquidity and solvency. (4)
- 6.3 Calculate the debt-equity ratio. (5)
- 6.4 The partners would like to expand their business. They are thinking of taking out an additional loan to the value of R180 000 at the same interest rate as their existing mortgage loan. Would you advise them to take out the additional loan? Quote figures of **TWO** ratios or financial indicators for 2012 to support your answer. (6)
- 6.5 Calculate the acid test ratio for 2012. (5)
- 6.6 Comment on the liquidity position. Quote two ratios or financial indicators to support your answer. (6) [40]

QUESTION 7 VAT (31 MARKS: 19 MINUTES)

- 7.1 Provide the answers for the following:
- 7.1.1 The current rate of VAT in South Africa is ____%.
- 7.1.2 If the price displayed on an item includes VAT, the price is said to be VAT ____.
- 7.1.3 The VAT paid by a business on purchases, will be reflected in the ____ account in the General Ledger.
- 7.1.4 There are two methods of calculating how to pay and claim VAT i.e. ____ or ____ basis.
- 7.1.5 You will register with, pay or claim VAT to _____. (5 × 2 = 10)

7.2 Calculate the following:

7.2.1 The following invoice already includes VAT. Calculate the VAT that Magi Traders had to pay to SARS. Complete the invoice by inserting all the missing figures.

Magi Traders			
Credit Invoice			
		59 Thambo Street, Khayelitsha	Invoice No: 109
		Tel: (021) 364 2233	
		Date: 12 May 2007	
To:	M Phike 14 Victory Street Kuilsrivier	Tel: (021) 903 4567	Cell: 082 786 7117
Quantity	Description	Unit price	Total
4	Chairs	R250.00	
1	Table	R2 500.00	
		14% VAT	
E & OE	Terms	30 Days	

(8)

7.2.2 **NOTE:** All amounts include VAT.

A customer pays R4 776,03 at the till for goods designed to achieve a mark-up of 50%. How much **OUTPUT VAT** was paid? What was the cost of these goods to the retailer? How much **INPUT VAT** did the retailer pay? What amount is payable to SARS?

(13) [31]

GRAND TOTAL: 300 MARKS
